

**TENTATIVE AGREEMENT FOR MODIFICATIONS
TO THE 2003-2009 IAM AGREEMENTS
PURSUANT TO BANKRUPTCY CODE § 1113(c)**

This term sheet sets forth the tentative agreement between United Air Lines, Inc. ("United" or the "Company"), and International Association of Machinists and Aerospace Workers ("IAM") pursuant to Section 1113(c) of the U.S. Bankruptcy Code, for necessary modifications to the 2003-2009 IAM Agreements between the IAM and United. For purposes of this tentative agreement, IAM Agreements includes the Ramp and Stores, Public Contact Employees', Food Services, Security Officers', Fleet Technical Instructors and Related and Maintenance Instructors Agreements. No changes are proposed to the Mileage Plus, Inc. Public Contact Employees' Agreement.

Name The 2003-2009 IAM Agreements, as modified herein, shall be referred to in this proposal as the 2005-2009 IAM Agreements.

Effective Date The 2005-2009 IAM Agreements shall become effective on July 1, 2005.

Duration The 2005-2009 IAM Agreements shall continue in effect through December 31, 2009, under the same terms as in the duration clause of the existing IAM Agreements.

Wage Rates Terminate 1113(e) relief effective with the date of ratification.

Effective July 1, 2005, each Schedule A and all other references to base wage rates of pay shall be modified as follows:

1. Effective July 1, 2005, all base wage rates in effect as of May 1, 2004 shall be reduced by 5.5 percent. These shall be the base wage rates for purposes of the increases described in paragraphs 2-4 below, which increases shall be in lieu of those set forth in the 2003-2009 IAM Agreement.
2. On May 1, 2007 the base wage rates set forth in paragraph 1 shall be increased by 1.5 percent.
3. On May 1, 2008 the base wage rates set forth in paragraph 1 shall be increased by 1.5 percent.
4. On May 1, 2009 the base wage rates set forth in paragraph 1 shall be increased by 2.5 percent.
5. In lieu of the premium increases set forth in the 2003-2009 IAM

Agreements, shift premiums, Service Director premium, and Hawaii differential will be increased by 1.5 percent on May 1, 2007 and May 1, 2008, and will be increased by 2.5 percent on May 1, 2009.

Holidays

On the Effective Date of the 2005-2009 IAM Agreements, the number of Company-paid holidays will be reduced from ten to eight by the elimination of the Good Friday and the Day After Thanksgiving holidays for employees covered by the Ramp and Stores, Security Officers', Food Services, Maintenance Instructors and Fleet Technical and Related Agreements and by the elimination of the Fourth of July and the Day After Thanksgiving holidays for employees covered by the Public Contact Employees' Agreement. Note: For 2005 only, the Ramp et al. shall eliminate the Labor Day holiday and in the event PCE ratification occurs after July 4, 2005, employees covered by the PCE Agreement shall eliminate the Labor Day holiday for 2005 only.

Vacation Accrual

On the Effective Date of the 2005-2009 IAM Agreements, the vacation accrual rates shall be as follows:

Length of Company Service	Weeks of Vacation
0 to 1 Year	1 (40 hours) (accrued at 3 1/3 hours per month)
1 Year	2 (80 hours)
9 years	3 (120 hours)
16 Years	4 (160 hours)
24 Years	5 (200 hours)
29 Years	6 (240 hours)

In order to achieve the full savings associated with this modification in 2005, the accrual rates from July 1, 2005, through December 31, 2005, will be adjusted so that the accrued vacation available in 2006 is the annual rate under this chart.

Sick Leave

Terminate 1113(e) relief effective with the date of ratification.

Effective July 1, 2005, each hour of occupational or non-occupational sick leave charged to the employee's bank will be paid at 80 percent of the employee's hourly rate for the first fifty-six (56) consecutive hours of sick leave usage for each absence and one hundred (100) percent

for consecutive hours thereafter.

Amend Article XIV.B.5 of the PCE Agreement and Article XIV.C of the Ramp and Stores Agreement and similar provisions of the other IAM Agreements to reflect that the Company may require a doctor's certificate for absences in excess of two days before paying requests for sick leave.

**Special Terms-
FT/MI**

Notwithstanding the terms proposed herein, the changes applicable to Fleet Technical Instructors and Related and Maintenance Instructors Agreements with respect to wages, vacation and health insurance, shall be as follows:

1. Base wage rates for Fleet Technical Instructors and Related shall be reduced by three (3) percent.
2. The base, license and skill components of the lead Maintenance Instructor and Maintenance Instructor pay rates shall be reduced by three (3) percent.
3. On January 1, 2006 the base wage rates set forth in paragraphs 1 and 2 shall be increased by 1.5 percent.
4. On May 1, 2007 the base wage rates set forth in paragraphs 1 and 2 shall be increased by 1.5 percent.
5. On May 1, 2008 the base wage rates set forth in paragraphs 1 and 2 shall be increased by 1.5 percent.
6. On May 1, 2009 the base wage rates set forth in paragraphs 1 and 2 shall be increased by 2.5 percent.
7. As soon as practicable after the Effective Date, the Fleet Technical Instructors and Related Employees and Maintenance Instructor Employees will participate in an open enrollment in the Employee Welfare Benefit Plan for Management Employees at the rates applicable to Management Employees.
8. Current vacation accrual schedule will not change for Fleet Technical Instructors and Related Employees and Maintenance Instructor Employees.

Holiday Pay

On the Effective Date of the 2005-2009 IAM Agreements, all holiday pay shall be paid at 2 times the employee's applicable hourly rate.

Cleaning Allowance On the Effective Date of the 2005-2009 IAM Agreements, Article XXVI.A.4 of the Public Contact Employees Agreement will be deleted.

Employer Contribution to LTD Plan On the Effective Date of the 2005-2009 IAM Agreements, Article XXIII.F.5 of the Public Contact Employees Agreement will be revised to provide that the employee will pay 100 percent of the cost of long-term disability benefits.

Part Time On the Effective Date of the 2005-2009 IAM Agreements, the work rule provisions of the 2003-2009 Ramp and Stores agreement shall be modified to increase the percentage caps on use of part-time employees for Class A stations from 25 percent to 30 percent and for Class B stations from 35 percent to 40 percent.

Scope/ Outsourcing On the Effective Date of the 2005-2009 IAM Agreements, the scope/outsourcing provisions of the 2003-2009 IAM Agreements shall be modified as follows:

1. The Company shall have the unrestricted right to close the Miami Kitchen and outsource that work subject to the terms set forth in Appendix D.
2. The Company will continue to maintain the existing cafeterias.
3. The Company shall have the unrestricted right to outsource fueling work.
4. Notwithstanding Letter 61-1 and any other applicable provisions of the Ramp and Stores Agreement, the Company shall have the unrestricted right to outsource cabin service work performed by Ramp Servicemen at BUF, ATL, FLL, MCO, MSP, SAN, SMF, TPA.

Participation in IAM National Pension Plan As set forth in Appendix E.

Profit Sharing As set forth in Appendix B. The profit sharing provisions of the defined contribution plan set forth in Appendix B will replace the Profit Sharing Program of the Company's existing Success Sharing Plan.

Success Sharing The Success Sharing formula shall be amended to pay out 0.5% at the Threshold level, 1.0% at the Target level and 2.0% at the Maximum

Sharing	level.
Distribution Agreement	The Company shall adopt the Distribution Agreement described in Appendix A.
Definitive Documentation	This term sheet is intended only to describe the basic modifications to the 2003-2009 IAM Agreements that are necessary for the reorganization of the Company under Section 1113(c) of the Bankruptcy Code, and is not intended to constitute final contract language. The parties agree that they will draft final contract language, and execute the 2005- 2009 IAM Agreements, within 60 days of the execution of this term sheet. The parties further agree that in drafting final contract language, they will eliminate or modify any provisions of the 2003-2009 IAM Agreements that are inconsistent with this term sheet or which would preclude the Company from obtaining the full savings sought by this proposal.
Fees and Expenses	As set forth in Appendix C.
Convertible Notes	As set forth in Appendix F.
Other Terms	As set forth in Appendices G, H, I, J and K.

TENTATIVE AGREEMENT

Executed this 16th day of June 2005.

FOR THE INTERNATIONAL
ASSOCIATION OF MACHINISTS
AND AEROSPACE WORKERS

FOR UNITED AIR LINES, INC.

/s/ S. R. Canale

/s/ Irene Gaughan

APPENDIX A – DISTRIBUTION AGREEMENT

1. Section 2 of Attachment Q in the amendment to the 2000 IAM Agreements (the “Distribution Agreement”) is hereby amended to read in its entirety as follows:

In consideration for the IAM’s contract revisions under the Section 1113 Restructuring Agreement reached between UAL, the Company, and IAM effective May 1, 2003 (the “2003 Restructuring Agreements”), which modifies the parties’ 2000 collective bargaining agreements (“2000 Agreements”), and in consideration of the IAM contract revisions under the revisions to the 2003 IAM Agreements effective in 2005 (the “Revised 2003 IAM Agreements”), any plan of reorganization proposed or supported by UAL and the Company as proposed and/or amended from time to time (the “Plan”), shall provide that, on or as soon as reasonably practicable after the effective date of such Plan, the IAM 141 members will receive a percentage distribution of the equity, securities and/or other consideration provided to general unsecured creditors under the Plan (the “Distribution”) calculated by the following formula:

$A/(A+B)$, where:

A is the sum of (i) \$1,155,654,657, representing the dollar value of 30 months of average cost reductions under the 2003 Restructuring Agreement as reasonably measured under Labor Model 1.1A FINAL¹, and (ii) \$[tbd] – “2005 Distribution”, representing the dollar value of 20 months of average cost reductions under the Revised 2003 IAM Agreements as reasonably measured by the Final 2004 Labor Model (the “IAM Amount”); and

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

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

In the event, the other employees of the Company receive a Distribution in excess of 20 months of average cost reductions (as measured by the Final 2004 Labor Model) in connection with the 2005 labor cost reductions (the “Other Employee Distribution”), the \$[tbd] amount described in paragraph 2 of this Distribution Agreement shall instead be the product of (x) \$[tbd] and (y) a fraction, the numerator of which is the actual amount of the Other Employee Distribution, and the

¹ Including subsequent analysis and communication to account for AMFA/IAM split.

denominator of which 20 months of average cost reductions (as measured by the Final 2004 Labor Model) for all other employees.]

3. Section 5 of the Distribution Agreement is hereby amended to read in its entirety as follows:

Following approval of the Distribution Agreement, and prior to the effective date of the Plan, IAM (in consultation with the Company) will develop a reasonable method for allocating the Distribution or Alternative Distribution as applicable (which allocation will distribute all of the Distribution or Alternative Distribution to the IAM members). The Company (in consultation with IAM) will develop and implement a mechanism and timetable for issuing the Distribution or Alternative Distribution to the IAM members which would take into account tax, legal, corporate liquidity and securities concerns as well as practical considerations.

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

APPENDIX B – PROFIT SHARING

Effective Date of Profit Sharing Plan:	As of January 1, 2005 (so that the first year covered by the profit sharing plan shall be calendar year 2005).
Profit Sharing Pool:	In the event that the Company has more than \$10 million in Pre-Tax Earnings in the relevant calendar year, then 7.5% of Pre-Tax Earnings in 2005 and 2006 and 15% of Pre-Tax Earnings in each calendar year thereafter.
Pre-Tax Earnings:	UAL consolidated net income as determined in accordance with GAAP, but excluding (i) consolidated federal, state and local income tax expense (or credit); (ii) unusual, special, or nonrecurring charges, (iii) charges with respect to the grant, exercise or vesting of equity, securities or options granted to UAL and United employees, and (iv) expense associated with the profit sharing contributions.
Eligibility:	All domestic employees of UAL Corp. or United Air Lines, Inc. (including all IAM-represented employees) who have completed one year of service as of December 31st of the year for which Pre-Tax Earnings are being measured.
Allocation:	For each eligible employee, a pro rata share of the Profit Sharing Pool for each calendar year based on the ratio of the employee's Considered Earnings for the year to the aggregate amount of Considered Earnings for all eligible employees that year.
Considered Earnings:	As currently defined in the Company's Success Sharing Plan (i.e., base pay, overtime, holiday pay, longevity pay, sick pay, vacation pay, shift differential, premiums, pre-tax contributions to a 401(k) plan, pre-tax medical plan contributions, and flexible spending account contributions but not expense reimbursement, incentive or profit sharing payments, imputed income or other similar awards or allowances) for that portion of the calendar year for which the employee was eligible to participate.
Payment Date:	By no later than April 30th of the following year.

- Distribution:** In cash.
- Relationship to Other Programs:** Incremental to the Success Sharing Plan; in lieu of the existing profit sharing plan described in the Wage Rules Articles of the 2003 PCE, Ramp, SO, Food and MI Agreements and the Compensation Article of the 2003 FTI Agreement.
- Documentation:** Implementing documentation reasonably acceptable to the Union.
- Duration:** Continuing unless and until terminated in future IAM collective bargaining agreements.

APPENDIX C—FEES AND EXPENSES

1. United shall reimburse IAM for the reasonable, actual fees and out-of-pocket expenses incurred by IAM in connection with the review, design, negotiation, approval, effective ratification, and execution of the Letter of Agreement (its “Expenses”) including:

- a. reasonable base wages lost by IAM Negotiating Committee members in connection with meetings called for the purpose of negotiating, reviewing, approving or ratifying the agreed Term Sheet and this Letter of Agreement; and
- a. the reasonable, actual fees and expenses of IAM's outside legal, pension, and other professional advisors (in each case based on normal hourly rates for actual time expended)

up to a maximum, aggregate total of \$2.5 million. Of the total reimbursement for Expenses, \$1.25 million shall be paid on the Effective Date as defined in the agreed Letter of Agreement, and the remaining \$1.25 million will be paid on the Exit Date.

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

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

APPENDIX D – MIAMI KITCHEN CLOSURE

Letter ____
_____, 2005
(new)

Mr. S.R. (Randy) Canale
President and Directing General Chairman
International Association of Machinists
And Aerospace Workers -- District 141
1771 Commerce Drive, Suite 103
Elk Grove Village, IL 60007

Dear Randy:

This letter will confirm the agreement reached during the 2005-2009 negotiations between the Union and the Company with respect to severance and other benefits for employees covered by the Food Services Agreement who are furloughed as a result of the closing of the Miami Kitchen.

1. Notwithstanding any provision of the Food Services Agreement, including but not limited to Article II-D, Article II-E, and Article IV, the Company may close the Miami Kitchen and contract out the work performed by IAM-represented employees. An employee covered by the Food Services Agreement who was on the payroll or on leave of absence as of the effective Date of the 2005-2009 Food Services Agreement (the "Agreement") shall be a "Covered Employee" and entitled to enhanced separation benefits in accordance with the terms set forth below.

2. During the term of the Agreement, a Covered Employee who is involuntarily furloughed as a result of the closing of the Miami Kitchen, or as the result or displacement from a cafeteria, will be entitled to the normal benefits and provisions of the Agreement or may elect the following option:

a. Employees who are involuntarily furloughed as a direct result of closing the Miami Kitchen may elect to sever their employment relationship with the Company, by resignation or by retirement (if eligible) and thereby forfeit all of their recall rights under the 2005-2009 Food Services Agreement, and;

b. Employees who sever their employment relationship in accordance with Subparagraph 2(a) above will receive severance pay and benefits in accordance with the Agreement but in an amount as follows:

(i) Insurance Benefits established in Article XXII, Paragraph A-5 will be provided as follows:

<u>Years of Service</u>	<u>Total Benefits Provided</u>
Less than 5 years	4 months
5 years but less than 10 years	6 months
10 years but less than 15 years	9 months
15 or more years	12 months

(ii) The amount of severance pay will be \$2,000 per year of service in addition to the normal severance allowance provided in Article XXI, paragraph B.

(iii) Employees and eligible dependents will be eligible for five (5) years of unlimited space-available travel following separation, as follows:

(a) for the first two (2) years following separation, unlimited space-available travel. Employee will be responsible for all applicable service charges, taxes and fees. Service charges will be set by the Company using a formula designed to recover the cost of providing NRSA travel to an individual, and can be changed - either in amount or approach – at the Company’s discretion. This is the approach and methodology that is in place today for active employees.

(b) for the following three (3) years, unlimited space-available travel. Employee will be responsible for all applicable service charges, taxes (including taxes assessed on the imputed income arising from the assessed value of the travel) and fees. Service charges will be set by the Company using a formula designed to recover the cost of providing NRSA travel to an individual, and can be changed - either in amount or approach – at the Company’s discretion. Furthermore, the value of the travel will be considered income (i.e., the employee shall be issued a W-2 on the imputed value of the travel) and all applicable Federal, State, FICA, and local taxes must also be paid to the Company. This is the approach and methodology that is in place today for domestic partners of active employees.

c. An employee who retires pursuant to Paragraph 2 (a) and who accepts benefits pursuant to Paragraph 2(b) will be considered to have retired from active service. Employees who are eligible for Retiree Medical Insurance in accordance with Article XXII, Paragraph E, will not also qualify for Insurance coverage under 2(b)(i), above and will receive regular retiree travel benefits.

3. Covered Employees who have been selected for involuntary furlough and who do not meet retirement age eligibility requirement on their date of furlough but will meet that requirement within three (3) years of their furlough date may elect to be placed on a Special Leave of Absence equal to the number of months from their furlough date until they satisfy the age requirement for retirement eligibility. This Special Leave of Absence may not exceed thirty-six (36) months from the date of furlough. On the last day of the month in which they meet the age eligibility requirement for retirement, their Special Leave of Absence would end, and employees must then retire.

a. Employees who elect this Special Leave of Absence in lieu of layoff are not eligible to receive any severance pay.

b. Employees will not be eligible for re-employment by United during the Special Leave of Absence.

c. The Special Leave of Absence must end on the last day of the month in which the employees would meet the eligibility requirements for retirement.

d. Employees may accept other outside employment while on a Special Leave of Absence.

e. Employees on Special Leave of Absence are eligible for medical, dental, company-paid life insurance and on-line travel benefits on the same basis as active employees.

f. Employees on this Special Leave of Absence must retire once they have met the age and service requirements for retirement. Seniority accrues for the entire duration of the leave. Employees will not receive participation credit for pension benefit calculation purposes during the Special Leave of Absence.

g. Employees who are interested in this option must identify themselves by returning a form to their manager or supervisor within five (5) business days of when they are informed of their furlough. Once an employee submits a request for this option, he or she may not withdraw his or her election.

4. The Company will use reasonable efforts to place employees with the vendor(s) to which the work is outsourced. Employees who accept such employment will not be eligible for the benefits described herein.

5. The foregoing provisions of this Letter of Agreement do not apply under the following circumstances:

a. to temporary employees;

- b. to employees who are being laid-off as a direct result of:
 - (i) an act of nature;
 - (ii) a strike or labor dispute;
 - (iii) a reduction of the Company's operations because of a decrease in available fuel supply or other critical materials due to either governmental action or commercial supplier being unable to meet the Company's demands;
 - (iv) a revocation of the Company's operating certificate(s) or the grounding of a substantial number of the Company's aircraft by government action;
 - (v) a declared or undeclared war or national emergency;
 - (vi) compulsion by a government agency, legislative or court action.

5. In the event a Covered Employee exercises seniority to displace an incumbent IAM-represented cafeteria employee, the Company shall have the right to furlough on a one for one basis.

If this conforms to your understanding of the parties' agreement, please date and sign in the space provided below.

Sincerely,

Peter B. Kain
Vice President - Labor Relations

Accepted and Agreed to this
___ day of _____, 2005

S.R. (Randy) Canale
President and Directing General Chairman
International Association of Machinists
And Aerospace Workers -- District 141

**APPENDIX E –
PARTICIPATION IN THE IAM NATIONAL PENSION PLAN**

Subject to Paragraph 5 below, the Company agrees to participate in the IAM National Pension Plan (“NPP”) in accordance with the following terms.

- 1. Participation.** All full-time and part-time active employees who are represented by the International Association of Machinists and Aerospace Workers shall be eligible to participate in the Plan effective March 1, 2006 or beginning on the first day of employment, if later. Notwithstanding the above, contributions on behalf of new-hire employees will be made retroactively after the first sixty (60) calendar days of service have been completed.

- 2. Contribution Rate.** There shall be no contribution prior to March 1, 2006. The contribution rate shall be equivalent to 4.0% of “Considered Earnings” and Success Sharing Payments effective March 1, 2006; 5.0% effective March 1, 2007, 6.0% effective March 1, 2008; and 6.5% effective March 1, 2009. The Company will not be required to contribute more than the contribution rate set forth in the preceding sentence.² Considered Earnings shall include base pay, overtime, holiday pay, longevity pay, sick pay, vacation pay (while employed), shift differential and premiums, employee 401(k) pre-tax contributions, and Flexible Spending Account contributions but shall exclude expense reimbursement, incentive or profit sharing payments, imputed income or other similar awards or allowances. Actual Contribution Rates shall be derived by applying a one-time adjustment factor to the foregoing contribution rates, as applicable, to reflect the difference between Considered Earnings and the Hourly Pension Rate Compensation, as defined below, for all IAM represented employees under a mutually agreeable methodology. The parties agree to work together to develop a mutually agreeable methodology for converting the contribution rate to a cents per hour rate. The Company’s contribution per hour worked shall be adjusted automatically as the Hourly Pension Rate Compensation changes.

Class	Classifications	Hourly Pension Rate Compensation Definition
A	Classifications Covered by the Ramp and Stores Agreement	Base rate at top-of-scale for Ramp Serviceman Class plus line premium and maximum longevity
B	Classifications Covered by the Public Contact Employees Agreement	Base rate at top-of-scale for Customer Service Representative Class plus maximum longevity

² This provision will not limit any withdrawal liability.

C	Classifications Covered by the Security Officers' Agreement	Base rate at top-of-scale for Security Officer Class plus maximum longevity
D	Classifications Covered by the Food Services Agreement	Base rate at top-of-scale for Food Service Employee Class plus maximum longevity
E	Classifications Covered by the Fleet Technical Instructors and Related Agreement	Base rate at top-of-scale for Fleet Technical Instructor Class
F	Classifications Covered by the Maintenance Instructors Agreement	Base rate at top-of-scale for Maintenance Instructor Class including license and skill premium and override

3. **Contribution Base.** The Company shall make the applicable cents per hour contribution on behalf of each eligible participant for all hours for which compensation is received by the employee (including vacation, sick leave, OJI, Union business and other paid leave), up to a maximum of forty (40) pay hours per week.
4. **Benefit Levels and Other Terms.** District Lodge 141 and United hereby adopt and agree, subject to Paragraph 5 below, to be bound by the Trust Agreement, dated May 1, 1960, as amended, creating the I.A.M. National Pension Fund and the Plan rules adopted by the Trustees of the I.A.M. National Pension Fund in establishing and administering the foregoing Plan pursuant to the said Trust Agreement, as currently in effect and as the Trust and Plan may be amended, from time to time.
5. **Conditions of Participation.** The Company's agreement to participate in the NPP shall be subject to the following conditions.
 - a. The Company's verification of the accuracy of the information and representations in the letter of May 26, 2005 from S.R. Canale to Pete Kain.
 - b. Agreement of the PBGC that the contribution rates set forth in Paragraph 2 shall not be considered an "abusive follow-on plan." If PBGC does not approve these contribution rates, the contribution rates shall be reduced as necessary to obtain PBGC approval and rates of pay shall be adjusted accordingly.
 - c. NPP meeting the following criteria:

- (1) The ratio of inactive to active participants in the Plan is not greater than 2 including the Company.
- (2) The Company's projected average annual Plan contributions are not greater than 25 percent of total projected annual plan contributions, including the Company. A somewhat higher percentage may apply if the Plan uses the direct attribution method and the other criteria are met.
- (3) The NPP is not less than 100 percent funded for vested liability based on the market value of the Plan's assets and vested liabilities (using an earning assumption not greater than 7 1/2 percent) determined as of a date on or about 90 days before the Company joins the Plan.
- (4) The Plan is maintained by a reasonably diverse group of reasonably financially-sound employers.
- (5) The Company will have the opportunity to nominate a representative to sit on the NPP Board of Trustees.
- (6) There are no major problems with Plan administration (such as Government investigations or litigation that pose a significant risk to the Plan), and the cost of Plan administration is reasonable.
- (7) The Company may waive any of these requirements in its sole discretion.

6. Alternative Pension Benefit Plans. In the event the conditions set forth in Paragraph 5 are not satisfied 90 days prior to the Company's proposed date to exit bankruptcy or by March 1, 2006, whichever is earlier, the Company and the Union will meet to agree upon the terms of an alternative pension benefit plan for IAM-represented employees. The Contribution Rate shall be as set forth in paragraph a below.

- a. There shall be no contribution prior to March 1, 2006; the Contribution Rate shall be 4% of each eligible employee's "Considered Earnings" and Success Sharing Payments effective March 1, 2006; 5% effective March 1, 2007; 6% effective March 1, 2008; and 6.5% effective March 1, 2009.
- b. In the event the conditions set forth in Paragraph 5 are satisfied but the Company's exit from bankruptcy is delayed beyond March 1, 2006, the Company shall make a monthly contribution to the alternate pension benefit plan beginning with the later of (i) March 1, 2006 or (ii) the first day of the calendar month following the Exit Date; provided, however, that in the event the Exit Date follows March 1, 2006, contributions will accrue from March 1, 2006 through the Exit Date and will be

contributed in a single lump sum as soon as practicable after the Exit Date.

7. This agreement shall replace the letters of agreement in the existing IAM Agreements establishing a defined benefit plan for benefit of IAM-represented employees, and any related provisions of the agreement or side letters of agreements that contemplate maintenance of a defined benefit pension plan. The Company shall have no further obligation under the IAM Agreements to maintain the Ground Employees' Retirement Plan or the Management, Administrative and Public Contact Defined Benefit Pension Plan, and the IAM shall not oppose termination of such plans.
8. No contributions provided for in Paragraphs 2 or 6 above will be made unless (1) the IAM withdraws with prejudice any and all opposition to termination of the Ground Employees' Retirement Plan and the Management, Administrative and Public Contact Defined Benefit Pension Plan, including but not limited to any appeal of the Bankruptcy Court's order approving the Company's settlement agreement with the PBGC or any motion to stay termination of those plans; or (2) any opposition by the IAM to the termination of the Ground Employees' Retirement Plan and the Management, Administrative and Public Contact Defined Benefit Pension Plan is resolved such that termination of those plans occurs. In no event and at no time shall the Company be obligated to maintain the Ground Employees' Retirement Plan or the Management, Administrative and Public Contact Defined Benefit Pension Plan in addition to a) participation in the NPP; or b) the Alternative Pension Benefit Plans under the terms set forth above. Nothing in this Letter of Agreement shall be construed, deemed or characterized by UAL or the Company as any agreement of any form by IAM that the Plan should be terminated, or as limiting IAM's right to proceed against the PBGC under ERISA § 4003 to challenge the termination date of the Plan.

APPENDIX F-- CONVERTIBLE NOTES

Issuer:	Reorganized UAL Corp.
Guarantor:	United Air Lines, Inc.
Issue:	[__]% ³ Senior Subordinated Convertible Notes Due 2021 (the "Notes") to be issued no later than 180 days following the Exit Date (the "Issuance Date").
Initial Holder:	A trust or similar non-permanent vehicle for the benefit of eligible United employees represented by IAM; the Notes or the value of the Notes to be distributed to such employees or their retirement accounts as soon as reasonably practicable given tax, accounting, securities and market considerations; all rights of the Notes to be exercised by individual employees while the notes remain in the trust. Distribution mechanics, eligibility and allocation among such employees to be reasonably determined by IAM.
Principal Amount:	\$60,000,000 in denominations of \$1,000.
Term:	15 years from the Issuance Date.
Amortization:	None prior to maturity; full principal to be repaid at the maturity date except to the extent converted or prepaid.
Interest Rate:	Semi-annually in arrears, in cash, at an annual rate of [__]% ¹ ; provided, however, that (i) the first full year of interest from the Issuance Date may be paid in cash or in kind at the option of the Issuer; (ii) if such interest is paid in kind, it will be in Common Stock, but only to the extent there exists Common Stock that is exempt from registration under 11 U.S.C. § 1145; and (iii) if such interest is paid in kind, it shall be delivered to the Holders under applicable market terms at issuance for public convertible debt securities of this type (e.g., any notice period and stock payment premium).
Security:	None.

³ .The parties shall work together to set an interest rate for the Notes no later than thirty (30) days prior to the Issuance Date which shall ensure that the Notes will trade at par value or better on Issuance (the "Par Value Interest Rate"). Failing agreement on the Par Value Interest Rate, the parties shall solicit rate recommendation from two national trading firms and shall adopt the average of the two suggested rates.

Ranking:	Junior to the Reorganized UAL exit facility, customary secured indebtedness, indebtedness contemplated under a plan of reorganization, and other mutually agreed-upon indebtedness; pari passu to all current and future UAL or United Airlines senior unsecured debt; senior to all current and future subordinated debt.
Conversion Rights	The Holder may convert any number of the Notes into the Issuer's common stock (the "Common Stock"), at any time, at the Conversion Price.
Conversion Price:	The product of (x) 125% and (y) the average closing price of the Common Stock for the sixty consecutive trading days following the Exit Date.
Transferability:	To the greatest extent feasible under applicable law, the Notes and the Common Stock shall be issued under 11 U.S.C. §1145, and the Notes and the Common Stock into which they shall be convertible shall be freely transferable by the Holders without registration under the Securities Act of 1933.
Common Stock:	When delivered, the Common Stock into which Notes may convert shall be fully paid and non-assessable. Issuer shall use its best efforts to list the Common Stock on a national stock exchange or NASDAQ prior to the Issuance Date.
Call Rights:	No call for five years from the Issuance Date; thereafter, callable in cash or Common Stock if the Common Stock has traded at no less than 125% of the Conversion Price for the sixty (60) consecutive trading days prior to the call date.
Put Rights:	Soft put right on the fifth and tenth anniversary of the Issuance Date for all principal and accrued interest as of such date; payable in cash or shares of Common Stock.
Mandatory Prepayments:	Mandatory prepayment upon a "fundamental change" with a customary make whole premium, if any, for public convertible debt securities of this type; no prepayment obligations for mergers in which the Issuer is the surviving entity; no make whole premium in other mergers.

Anti-Dilution Protections:	The Conversion Price will be subject to customary anti-dilution adjustments, ⁴ including upon (i) stock or extraordinary cash dividends, (ii) reclassifications, subdivisions or combinations of the Common Stock, (iii) the issuance of rights or warrants to all holders of Common Stock convertible into or exercisable for Common Stock at less than the then-current market price, (iv) distribution of the capital stock of an Issuer subsidiary to holders of the Common Stock and (v) any other distributions of assets by the Issuer to holders of the Common Stock.
Mergers and Business Combinations:	The Notes will enjoy customary adjustments and protections in the event the Common Stock is converted into, reclassified into or exchanged for cash, other assets or securities.
Other Terms and Conditions:	The Notes are intended to be public market securities and to trade at par value. The documentation of the Notes shall include such other terms and conditions as are customarily found in public market convertible securities of this type.
Implementation:	Implementing documentation reasonably acceptable to IAM and the Company.
Distribution:	IAM and the Company will coordinate any distribution of the Notes so that such distribution does not unreasonably interfere with capital markets activities of UAL or the Company.

⁴ Anti-dilution adjustments shall not be applicable to securities issued or assets distributed under the Plan of Reorganization.

APPENDIX G -- BANKRUPTCY ACTIONS

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

- a. The Company shall file a motion for approval of the Letter of Agreement under 11 U.S.C. § 363, in form and substance reasonably acceptable to the Union, by no later than the date of ratification by IAM-represented United employees;
- b. The Company shall provide, to the extent reasonably practicable, the Union’s counsel with copies of, and a reasonable opportunity to comment on, all motions, applications, proposed orders, pleadings and supporting papers prepared by the Company for filing with the bankruptcy court relating to court approval of this Letter of Agreement; and
- c. Both the Company and the Union shall support and seek the approval of this Letter of Agreement in the Bankruptcy Cases without condition, qualification or exception; shall use their best efforts to obtain the support of the Official Committee of Unsecured Creditors and other parties and stakeholders for the Letter of Agreement; and shall take every reasonable action necessary to obtain judicial approval of this Letter of Agreement in the Bankruptcy Cases without condition, qualification or exception, including the filing of motions, objections and appeals.

APPENDIX H – INDEMNIFICATION

Letter _____
_____, 2005
(new)

Mr. S.R. (Randy) Canale
President and Directing General Chairman
International Association of Machinists
And Aerospace Workers -- District 141
1771 Commerce Drive, Suite 103
Elk Grove Village, IL 60007

Dear Randy:

This letter will confirm the agreement reached during the 2005-2009 negotiations between the Union and the Company on the subjects addressed below.

1. Indemnification.

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

2. Indemnification Procedure.

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

b. United shall be entitled to participate in judicial, administrative proceeding concerning an actual or potential Claim (an "Action") and, upon ten (10) days notice to the applicable Indemnified Person, may assume the defense of such Claim with counsel reasonably satisfactory to the Indemnified Person. Following any assumption of the defense of an Action by United, United shall not be liable for any subsequent fees of legal counsel or other expenses incurred by the Indemnified Person in connection with the defense of such Action, subject to reimbursement for actual out-of-pocket expenses incurred by the Indemnified Person as the result of a request for cooperation or assistance

by United; provided, however, that if, in the reasonable opinion of outside counsel to the Indemnified Person, there exists an actual, material conflict of interest between the United and the Indemnified Person, United shall be liable for the legal fees and expenses of separate counsel to the Indemnified Person; provided, further, that the Indemnified Person shall have the right to participate in the defense of an Action with its own counsel at its own expense.

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

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

3. Plan of Reorganization; Survival.

This indemnity agreement shall be assumed under the Plan of Reorganization and shall continue in full force and effect thereafter without regard to the terms of the Duration Articles of the 2003-2009 IAM Agreements.

TENTATIVE AGREEMENT

If this conforms to your understanding of the parties' agreement, please date and sign in the space provided below.

Sincerely,

Peter B. Kain
Vice President - Labor Relations

Accepted and Agreed to this
___ day of _____, 2005

S.R. (Randy) Canale
President and Directing General Chairman
International Association of Machinists
And Aerospace Workers-- District 141

APPENDIX I -- AMENDMENTS; WAIVER

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

APPENDIX J – CONTRACT EXTENSION

The duration clause in the Effective Date and Duration Article in the 2005-2009 IAM Agreement shall read in their entirety as follows:

This Agreement shall become effective July 1, 2005, except as otherwise provided, and shall continue in full force and effect through December 31, 2009, and shall thereafter renew itself yearly without change each January 1st unless written notice of intended change is served in accordance with Title I, Section 6 of the Railway Labor Act by either party at least thirty (30) but not more than two hundred and seventy (270) days prior to December 31, 2009 or December 31 of any year thereafter upon written notice of either party thereto. If such notice is served, negotiations will commence no more than 30 days after service. If a new tentative agreement is not reached by August 1, 2009 (or any August 1 thereafter, if applicable), the parties will jointly invoke the mediation services of the National Mediation Board under Section 5 of the Act.

**APPENDIX K
CONDITIONS TO THE TENTATIVE AGREEMENT**

The Company and the IAM agree to the following conditions to the Tentative Agreement:

- a. The Union will provide the Company with all information necessary to conduct its review of the National Pension Plan, in accordance with the Information Required for Analysis Letter (attached) no later than the close of business on June 3, 2005.
- b. The Company shall have a period of up to 14 days after receipt of such information under subparagraph (a) above to complete its review of the NPP (the "Review Period").
- c. The Bankruptcy Court shall reserve decision on the Company's pending Section 1113c motion for a period of not less than the Review Period and no later than 11:59 p.m. CDT on June 17, 2005. The Company and the IAM shall jointly ask the Bankruptcy Court to continue the current level of Section 1113e relief to June 17, 2005 at 11:59 p.m. CDT.
- d. In the event that the Company agrees to participate in the NPP in accordance with the terms set forth in Appendix E herein, the Company and the IAM shall jointly ask the Bankruptcy Court to continue to reserve decision on the Company's pending Section 1113c motion and to extend the current level of Section 1113e relief through the conclusion of the ratification votes.
- e. In the event that the Company does not agree to participate in the NPP in accordance with the terms set forth in Appendix E, the entire agreement shall be null and void. In the event the Company does not provide notice by June 17, 2005 of its intent not to participate, the agreement shall go into effect.

United Airlines

IAM National Pension Fund/National Pension Plan Information Required For Analysis

Data needed under Paragraph (a) of Appendix K are:

- Identification of assumptions used to determine withdrawal liability:
 1. Interest Rate
 2. Mortality Table
 3. Special rules (adopted by Trustees and approved by PBGC)
 4. Confirmation that all other assumptions match those used in the annual actuarial valuation
 5. Confirmation that unfunded vested benefits is based on market value of assets

- Sensitivity to changes in assumptions:
 1. PVVB based on RP-2000 mortality table
 2. PVVB based on a high-quality corporate bond yield curve similar to that used under the 2004 Pension Funding Equity Act

- History of changes in assumptions used to determine withdrawal liability

- Current asset mix by major asset categories