Transport Workers Union of America
Local 540
AFL-CIO
Flight Dispatchers, Meteorologists & Operations Specialists Union
421 N. Northwest Highway (Suite 201), Barrington, IL 60010
Ph. 847-842-0073 • Fax 847-842-0093
Air Transport Division

March 23rd, 2003

Glenn F. Tilton
Chairman, Chief Executive Officer and President
United Airlines

Dear Mr. Tilton,

The Meteorologists represented by the Transport Workers Union have ratified the Tentative Agreement that was reached between the Union and the Company on March 14th, 2003. With this ratification it is our understanding that the Company will remove the TWU from the Section 1113c motion filed on March 17th, 2003.

Sincerely,

David Durkin
President – TWU Local 540

Robb Kaczmarek
Section Chair – TWU UAL

Cc: Pete Kain
Gerry Anderson
Garry Hinds

March 14, 2003

Section 1113(c) Term Sheet
United Airlines Proposal to the Transport Workers Union of America

Effective Date	April _____, 2003
Compensation	Reduce pay rates in Meteorologist Wage Schedule A by 13 percent and eliminate the 4% pay increases scheduled for December 1, 2003, 2004, and 2005. Revise pay rates in Meteorologist Wage Schedule A by increasing such rates by 1.5% beginning [when] and each year thereafter on the anniversary of the Effective Date until [when], 2008. Eliminate the License Pay premium described in Agreement Letter 00-2M.
Success Sharing	Provide Meteorologists fair and equitable participation in the "Success Sharing" program for Company employees as described in Exhibit B.
Productivity	Revise Agreement Letter 00-7M to allow the Operations Manager to cover overtime without exhausting all other overtime alternatives when extending a shift.
Scope	Revise Agreement Letter 68-1M to amend the advance notice of furlough requirement from 6 months to 3 months.
Insurance Benefits	Apply to Meteorologists those amendments described in the TWU's 3/10/03 insurance benefits proposal (where inconsistent with the amendments proposed by the Company's Exhibit A), provided the TWU amendments are adopted for other represented groups. In the event, the insurance benefits amendments proposed by the TWU are not adopted for other represented groups, those amendments to the Employee Welfare Benefit Plan applicable to management employees will apply to Meteorologists.

	In the event amendments to insurance benefits fail to produce savings sufficient for the TWU to meet the total savings allocation identified 2/12/03, the parties will meet and agree on additional savings on Compensation and/or Productivity items to meet the total allocation requirement. If the parties are unable to reach agreement, they will submit unresolved issues to mediation and, if necessary, to binding arbitration.
Retirement Plan	Apply to Meteorologists those amendments to the Management, Administrative and Public Contact Employees' Defined Benefit Pension Plan and the Management 401-K Plan applicable to management employees (per Agreement Section XV-B).
Holidays	Revise Agreement Section III-D to eliminate the Washington's Birthday and Employee's Birthday Holidays.
Vacation	Revise Agreement Section IX-B (Vacation Accrual) to provide 2 weeks of paid vacation for those Meteorologists who have completed 1 or more years of service, 3 weeks for those who have completed 5 or more years of service, 4 weeks for those who have completed 10 or more years of service, and 5 weeks for those who have completed 20 or more years of service.
Sick Leave	Apply to Meteorologists those amendments to the Employee Welfare Benefit Plan applicable to management employees (per Agreement Section X-A).
Severance Pay	Apply to Meteorologists those amendments in Series 15 applicable to management employees (per Agreement Section XIV-D).
Term	Revise Agreement Section XVIII as follows: "This Agreement shall become effective April _____, 2003 and shall continue in full force and effect until [month/day], 2009, and shall renew itself yearly without change unless written notice of intended

	change is served by either party in accordance with Section 6, Title I of the Railway Labor Act at least 30 but not more than 60 days prior to [month/day], 2009, or any year thereafter."
Contingency One	Should there be modifications to the proposed changes in Sick Leave or to the Retirement Plan described above, reducing the savings, these lost savings will be made up by additional changes in Compensation and/or Productivity items if necessary to meet the 2/12/03 allocation target.
Contingency Two	Should there be modifications to the proposed changes in paid Holidays or Vacation described above, these lost savings will be made up by additional changes in Compensation and/or Productivity items if necessary to meet the 2/12/03 allocation target.
Dispute Resolution	In the event of any disputes concerning amendment of this agreement due to Contingency One and/or Two, the parties will employ mediation followed, if necessary, by binding arbitration.

Executed this 14th day of March, 2003:

TRANSPORT WORKERS OF AMERICA
Union Local 540

UNITED AIRLINES

Robb Kaczmarek

Peter B. Kain

EXHIBIT A

BENEFITS

I. ACTIVE EMPLOYEES

A. MEDICAL

Preferred Provider Option (PPO)

<u>In-Network</u>

$250 single/$500 family deductible
80/20 coinsurance
$1,250 single $2,500 family out-of-pocket limit
Inpatient mental health and substance abuse treatment limited to 30 days per calendar year per person, out patient limited to 30 visits per calendar year per person.
Out-Patient physical therapy, speech therapy, chiropractic and similar therapy treatments limited to $2,000 per person per calendar year.
Unlimited lifetime maximum

<u>Out-of-Network</u> (deductibles and out of pocket limits are in addition to the In-Network amounts)

$150 single/$300 family deductible
60/40 coinsurance
$1,000 single $2,000 family out-of-pocket limit
Covered expenses limited by reasonable and customary
Inpatient mental health and substance abuse treatment limited to 15 days per calendar year per person, out patient limited to 15 visits per calendar year per person (not in addition to in-network)
Out-Patient physical therapy, speech therapy, chiropractic and similar therapy treatments limited to $1,000 per person per calendar year (not in addition to in-network benefit)
$500,000 lifetime maximum

Covered expenses would include necessary care and treatment of illness, injury, and pregnancy as well as expenses for certain preventive care, e.g., pap smears, PSA tests and certain routine physicals. The PPO Incentive check, coverage for hearing aids, and coverage for FAA physicals will be discontinued.

Retail and mail order prescription drugs employee co-payment 10% (minimum charge of $5) of cost for generics and 30% (minimum charge of $10) for brand medication. Deductible of $50 per person $100 per family and out-of-pocket limit of $300 per person and $600 per family per calendar year. Mandatory use of mail order program after a prescription has been filled 3 times at retail. Strong management to ensure consistency with medical necessity and generally accepted practice.

Maintenance of Benefits for employees with other group coverage rather than Coordination of Benefits.

Full right of reimbursement

Cover children to age 19 and to age 23 if full-time student.

Employee contribution for full-time employees would equal 20% of the cost of the plan. Employee contributions for part-time employees would equal 20% of the cost of the plan for single coverage and 50% of the cost of the plan for dependents.

Offer HMO options as appropriate. Employee contribution for full-time employees will be 20% of the cost of the HMO option up to the cost of the PPO option plus 100% of the excess, if any. Employee contribution for part-time employees will be 20% of the cost of the HMO option for single coverage and 50% of the cost of the HMO option for dependents up to the cost of the PPO option plus 100% of the excess, if any.

B. DENTAL

Provide current PPO dental plan

Deductible $50 per person $100 per family (doesn't apply to preventive)
100% Preventive
80% Restorative
50% major and orthodontia
Annual non-orthodontia max - $2,000
Lifetime orthodontia max $2,000

Maintenance of Benefits for employees with other group coverage rather than Coordination of Benefits.

Cover children to age 19 and to age 23 if full-time student.

Employee contribution for full-time employees would equal 20% of the cost of the plan. Employee contributions for part-time employees would equal 20% of the cost of the plan for single coverage and 50% of the cost of the plan for dependents.

Offer Dental Health Maintenance Organization (DHMO) coverage. Employee contribution for full-time employees will be 20% of the cost of the DHMO option up to the cost of the PPO option plus 100% of the excess, if any. Employee contribution for part-time employees will be 20% of the cost of the DHMO option for single coverage and 50% of the cost of the DHMO option for dependents up to the cost of the PPO option plus 100% of the excess, if any.

C. FLEXIBLE SPENDING ACCOUNT

Current program of Health and Dependent Day Care Accounts with maximum annual contributions of $5,000 per account. Forfeitures to be retained by the Company and used to reduce the cost of the administration of the benefit plans.

D. LIFE INSURANCE

Company paid: 1 times base pay with maximum of $200,000.
Contributory: up to 8 times pay through Group Universal Life

E. ACCIDENTAL DEATH AND DISMEMBERMENT

Company paid: None.
Offer contributory coverage on same basis as current plan.

F. SHORT TERM DISABILITY/SICK LEAVE

Retain sick leave accrual concept. After 6 months of service, accrue one day per month of employment to a maximum of 125 workdays (equivalent for flight groups). Bank to be used for both non-occupational and occupational absences. The benefit is 100% of base salary reduced by any state disability benefit or workers' compensation amounts. If the employee is eligible for but has not claimed state disability benefits, no sick leave is payable. (Loss of time benefit, management supplemental sick leave, and pilot short-term disability benefits are terminated.)

G. LONG TERM DISABILITY

Provide Long Term Disability insurance coverage at 50% of base pay for all employees to a maximum benefit of $7,500 per month. Employees with one year of service will be entitled to enroll in the plan. The plan will require a period of six months of disability before benefits are payable. The definition of disability will be 12 months of being unable to work in the employee's own occupation, and thereafter any occupation for which the employee is reasonably qualified. There will be a 24 month mental health and chemical dependency limit and a 24 month soft tissue/chronic fatigue limitation. There is a Family Social Security offset and offset of income from other sources such as Workers' Compensation, sick leave benefits, and other similar sources. The plan also provides for reducing benefit duration and a pre-existing condition limitation. Employees will pay 50% of the cost of the coverage.

H. ILLNESS LEAVE OF ABSENCE

Maximum period of unpaid illness leave of absence 3 years, medical and dental benefits continue while on approved leave.

I. DEFINED BENEFIT PENSION PLAN

1.3% times final average pay (5) times years of participation to a maximum of 30 years. Early retirement reduced 3% per year from age 62 (60 for pilots). Traditional optional forms of payment with no lump sum distributions.

J. DEFINED CONTRIBUTION PENSION

Beginning in 2004 the Company matches 50% of the employee contribution to a maximum employee contribution of 4%.

K. VACATION

Modify the accrual schedule to the following:

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

II. RETIRED EMPLOYEES

A. RETIREE MEDICAL

Pre Medicare

Provide the same PPO option as active employees. Employee must be at least age 55 (50 pilots) with at least 10 years of service and retire from active status or illness leave of absence. Employee contribution based on length of service at retirement as follows:

PPO Option

Years of Service	% of Cost
10 to 20	100%
20 to 25	75%
25 and over	50%

Post-Medicare

Employee must be at least age 55 (50 pilots) with at least 10 years of service and retire from active status or illness leave of absence. One or more supplemental plans to Medicare will be offered with the retiree paying the full cost of the coverage.

B. RETIREE LIFE

Employees must be at least age 55 (50 pilots) with at least 10 years of service and retire from active status or illness leave of absence. The benefit is $10,000.

Exhibit B

UAL Corporation
Success Sharing Plan Term Sheet

Type of plan: Profit Sharing Plan (with incentive supplement)

Goals of plan:

- Provide commonality of interest between management and employees and create a focus on operational and financial improvement
- Provide all employees with a defined share of pre-tax profit margin above the recovery plan performance levels

Effective date: January 1, 2004 (subject to approval of UAL Board and Bankruptcy Court)

Employee groups covered: All employees

Definition of performance:

- Profit Sharing Plan – UAL pre-tax profit margin above the recovery plan performance levels
- Incentive Supplement -- Performance to be measured at the business unit level and defined and weighted by the Company on an annual basis. Measures may include the following categories: financial (e.g., pre-tax margin), operational performance (e.g., on-time performance), customer satisfaction (e.g., intent to repurchase), employee engagement, safety (e.g., lost time injuries), etc.

Definition of wages: Eligible earnings are defined as base pay, overtime, holiday pay, longevity, sick pay, vacation pay, shift differential and overrides. It does not include such income as moving expenses and related benefits, incentive or profit sharing awards paid in the plan year, company matches to defined contribution plans, imputed income from pass service charges and other awards and allowances

Exhibit B

Benefits impact:
- Earnings from the Profit Sharing portion of the plan will not be pensionable
- Earnings from the Incentive Supplement will be pensionable

Performance calculation:
- Profit Sharing Plan – A fixed share of UAL pre-tax profit margin above the recovery plan performance levels

- Incentive Supplement -- Minimum, target and maximum levels of performance as defined by the Company at the beginning of each plan cycle.
  A threshold level of financial performance will need to be achieved before the plan will pay out.

Payout calculation:
- Profit Sharing Plan -- X% of pre-tax profit margin above the following recovery plan performance levels

  2005 12% pre-tax profit margin
  2006 13%
  2007 13%
  2008 13%
  * Above numbers exclude UAFC

  To be allocated to all employees on pro-rata based on employee wages

- Incentive Supplement – Minimum, target and maximum award levels to correspond with aforementioned performance levels. Fixed target percentage (5%) for all employees

Distribution: Cash, paid annually

Distribution option: 401(k) deferral

Total Payout Illustration

Example:
Assume Pat has wages of $30,000 in 2005

Performance Assumptions:
Profit sharing threshold is 12% pre-tax profit margin or $1,700,000,000.
Profit sharing level is 15% of excess profits.
Actual pre-tax profit margin achieved is 15% or $2,250,000,000 (3% over threshold).
Actual profit sharing dollars available are:

$82,500,000 [($2,250,000,000 - $1,700,000,000) x .15]

Assuming payroll of $3.9 billion, the profit sharing payout per person is 2.1% of wages.
($82,500,000/$3,900,000,000 = 2.1%)
Incentive supplement assumptions are as illustrated in Exhibit I.

The following payout levels are generated:

Profit Sharing Plan Component:	2.1% of salary
Incentive Supplement Component:	160% of target (See Exhibit I for payout illustration)

Pat's total actual payout is determined as follows:

Profit Sharing:	$30,000	x	2.1%			=	$ 630
Incentive Plan:	$30,000	x	5.0%	x	160%	=	$ 2,400
Total							**$ 3,030**

Pat will receive a payout of 10.1% of wages ($3,030/$30,000) from the Success Sharing Plan (Profit Sharing + Incentive Supplement)

Exhibit I
Incentive Supplement Illustration

Example:

Assume Pat has an incentive opportunity of 5% and wages of $30,000 in 2005. The dollar amount of Pat's incentive opportunity is $1,500.

Weight	Performance Objective	Minimum	Target	Maximum
60%	Financial Performance	50%	100%	200%
10%	Reliability	50%	100%	200%
10%	Customer Satisfaction	50%	100%	200%
10%	Employee Engagement	50%	100%	200%
10%	Employee Safety	50%	100%	200%
100%				

Assume the following levels of performance:

Financial Performance = $2.25B of pre-tax profit	Maximum
Reliability = 66% on-time performance	Target
Customer Satisfaction = 37.4% intent-to-repurchase	Target
Employee Engagement = 44% as determined by surveys	Target
Employee Safety = 4.5 lost time injuries	Target

Pat's performance factors multiplier is determined as follows:

Financial Performance	60%	x	200%	=	120%
Reliability	10%	x	100%	=	10%
Customer Satisfaction	10%	x	100%	=	10%
Employee Engagement	10%	x	100%	=	10%
Employee Safety	10%	x	100%	=	10%
Aggregate Multiplier					**160%**

Pat's incentive award under the Plan is calculated as follows:

$1,500 x 160% = $2,400