

*UAL/IAMAW*

*District 141M*

*Restructuring Agreement Amendment*

**2003 - 2009**

**Mechanics, Fleet Technical Instructors, and  
Maintenance Instructors**

Agreed to this 11<sup>th</sup> day of July 2003.

/s/ Scotty Ford  
Scotty Ford  
President & General Chairman  
District 141M

/s/ Alan R. Koehler  
Alan R. Koehler  
Director - Labor Relations

Witnesses:

/s/ Ron Shepard

/s/ Susan E. Franzella

UAL Corp., United Air Lines, Inc. and the International Association of Machinists, District 141M (“IAM 141M”) will enter into a Restructuring Agreement (“Restructuring Agreement”) to enable the successful reorganization, restructuring and transformation of United and UAL upon the following terms and conditions. Unless otherwise stated, all terms of the Collective Bargaining Agreements between the parties (the “141M Agreements”)<sup>1</sup> remain in full force and effect, provided the 141M Agreements will be modified as necessary to enable and to reflect the terms of this Restructuring Agreement together with its Attachments A through F, inclusive, further detailing the agreements reached.

<b>Duration</b>	Effective date of May 1, 2003; amendable date of May 1, 2009.														
<b>Duration Clause</b>	<p><b>Revise Article XXVII (Mechanics), Article XXVI (MI) and Article XXI (FTI) to read:</b></p> <p>This Agreement shall become effective <u>May 1, 2003</u>, shall continue in full force and effect <u>until May 1, 2009</u> and shall thereafter renew itself yearly without change 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 May 1, 2009 or May 1 of any year thereafter upon written notice by either party thereto.</p> <p>Changes in Article XXIV (Health and Welfare) shall become effective as specified in that article.</p>														
<b>Wage Rates</b>	<p>Eliminate the base hourly pay rate increases scheduled for March 14, 2003 and May 1, 2004, as set forth in Schedule A to the Mechanics’ Agreement and all future increases set forth in each of the other 141M Agreements.</p> <p>For mechanics, eliminate the license premium increases provided in Article XXII-O, sub-paragraph 1 scheduled to take effect on March 14, 2003.</p> <p>Reduce the base hourly pay rates in effect on December 31, 2002, as well as the following premium pay rates in effect on that date: shift premium, license premium, skill premium and the Hawaii Differential by 13% for all classifications.</p> <p><b>Revise Article XXII-I to read:</b></p> <p><b>I. 1.</b> All employees covered by this Agreement working the afternoon or night shifts shall be paid additional compensation over the rate paid on day shifts for all hours worked as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: left;"><u>Effective</u></td> <td style="text-align: center;"><u>5/1/03</u></td> <td style="text-align: center;"><u>5/1/04</u></td> <td style="text-align: center;"><u>5/1/05</u></td> <td style="text-align: center;"><u>5/1/06</u></td> <td style="text-align: center;"><u>5/1/07</u></td> <td style="text-align: center;"><u>5/1/08</u></td> </tr> <tr> <td style="text-align: left;">Afternoon</td> <td style="text-align: center;">44¢</td> <td style="text-align: center;">45¢</td> <td style="text-align: center;">46¢</td> <td style="text-align: center;">47¢</td> <td style="text-align: center;">48¢</td> <td style="text-align: center;">49¢</td> </tr> </table>	<u>Effective</u>	<u>5/1/03</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>	Afternoon	44¢	45¢	46¢	47¢	48¢	49¢
<u>Effective</u>	<u>5/1/03</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>									
Afternoon	44¢	45¢	46¢	47¢	48¢	49¢									

<sup>1</sup> The 141M Agreements include the Mechanics’ Agreement (“Mechanics”), the Maintenance Instructors Agreement (“MI”) and the Fleet Technical Instructors and Related Agreement (“FTI”).

Night                    50¢            51¢            52¢            53¢            54¢            55¢

Any shift starting at 11:00 AM or later and before 5:00 PM shall be considered an afternoon shift and any shift starting at 5:00 PM or later and before 6:00 AM shall be considered a night shift.

2. An employee working on a relief schedule who is scheduled to work on the day and afternoon shifts during a work week will receive additional compensation above the day shift rate for all regular hours worked as follows:

<u>Effective</u>	<u>5/1/03</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>
	<u>49¢</u>	<u>50¢</u>	<u>51¢</u>	<u>52¢</u>	<u>53¢</u>	<u>54¢</u>

An employee on a relief schedule who is scheduled to work on the afternoon and night shifts or day and night shifts during a work week will receive additional compensation above the day shift rate for all regular hours worked as follows:

<u>Effective</u>	<u>5/1/03</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>
	<u>53¢</u>	<u>54¢</u>	<u>55¢</u>	<u>56¢</u>	<u>57¢</u>	<u>58¢</u>

Rotating relief employees shall not receive shift premium as provided in subparagraph 1 of this paragraph but shall have the additional compensation provided for in this subparagraph treated for pay purposes the same as shift premium. An employee assigned to a vacation relief schedule will receive the shift premium provided in subparagraph 1 of this paragraph except that when in any one work week he is scheduled to work on the day and afternoon shifts or afternoon and night shifts, or day and night shifts, he shall not receive such shift premium but shall receive the appropriate relief premium in lieu thereof for all regular hours worked in that work week.

3. Mechanics assigned to the Maintenance Base Boiler Room may be assigned to a rotating relief schedule to include rotation through a three-shift schedule including day, afternoon and night shifts. When so assigned, an employee will receive additional compensation above the day shift rate for all regular hours worked as follows:

<u>Effective</u>	<u>5/1/03</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>
	<u>57¢</u>	<u>58¢</u>	<u>59¢</u>	<u>60¢</u>	<u>61¢</u>	<u>62¢</u>

An employee on this relief schedule shall not receive shift premium as provided in subparagraph 1 of this paragraph but shall have the additional compensation provided for in this subparagraph treated for pay purposes the same as shift premium.

**Revise Article XXII-O to read:**

**O.** 1. Employees in the classification of Mechanic (including Apprentice Mechanic) or higher who hold and thereafter continue to hold a valid F. A. A. Mechanic Certificate with an Airframe or Power Plant Rating (each rating considered as one (1) license) or a valid F. C. C. General Radio Telephone Operator's license (considered as one (1) license, except that those employees being paid for an F. C. C. Radio Telephone License First Class on October 31, 1981, shall continue to receive credit for two (2) licenses) shall be paid for each required license effective May 1, 2003:

\$1.96 per hour for 1 license  
\$1.96 per hour for 2nd license  
\$3.92 maximum

Each license will be increased as follows:

<u>Effective</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>
	<u>\$1.99</u>	<u>\$2.02</u>	<u>\$2.05</u>	<u>\$2.08</u>	<u>\$2.11</u>

provided:

- a. They work on aircraft or aircraft components (but including Lead Ground Communications Technicians, Ground Communications Technicians, Lead Flight Simulator Technicians, and Flight Simulator Technicians); and
- b. They are required to hold such license(s) per Article II, Paragraph C and Article V, Paragraph B, of this Agreement; and
- c. They have registered such license(s) with the Company (after which the license pay will begin).

2. Notwithstanding the provisions of subparagraph 1b above:

- a. Line R&E Mechanics and Lead Line R&E Mechanics at line stations who hold an Airframe or Powerplant license in addition to an FCC General Radio Telephone Operator's license shall be eligible for pay for two licenses;
- b. Airframe Maintenance Mechanics who, in addition to an Airframe License, also possess a Powerplant Rating shall be eligible for pay for two (2) licenses; and
- c. Component Maintenance Mechanics (except those assigned to SFORQ) who possess an Airframe License shall be eligible for pay for one (1) license.

	<p>provided they meet the other requirements of paragraph O.</p> <p>3. Current employees holding a license(s) on March 23, 1982 who are excluded from pay for a license(s) under Paragraph 1b. above, shall receive credit for such license(s) held provided they meet the other qualifications of Paragraph 1, above, but shall not receive pay for any additional unrequired license(s) obtained.</p> <p>4. Notwithstanding the above, effective December 15, 1991, employees who work in the Machinist, Plating, Metal Spray or Welding skill, and effective March 14, 2002 Building Maintenance, Plant Maintenance and Garage Mechanics, who do not receive license pay under other provisions of Paragraph O, will receive pay for one license as provided in Subparagraph O-1 above regardless of whether or not they possess a license.</p> <p>5. Employees who work in the Mechanic or related premium classifications, the Computer Technician or Lead Computer Technician, or in the Metrologist classification will receive a high skill premium of <u>\$1.31 per hour effective May 1, 2003 with increases as follows:</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: left;"><u>Effective</u></td> <td style="text-align: center;"><u>5/1/04</u></td> <td style="text-align: center;"><u>5/1/05</u></td> <td style="text-align: center;"><u>5/1/06</u></td> <td style="text-align: center;"><u>5/1/07</u></td> <td style="text-align: center;"><u>5/1/08</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>\$1.33</u></td> <td style="text-align: center;"><u>\$1.35</u></td> <td style="text-align: center;"><u>\$1.37</u></td> <td style="text-align: center;"><u>\$1.39</u></td> <td style="text-align: center;"><u>\$1.41</u></td> </tr> </table> <p>For all classifications, increase the base hourly pay rates, as well as the following premium pay rates: shift premium, license premium, skill premium and the Hawaii Differential by 1.5% each year effective on the anniversary of the Effective Date, commencing May 1, 2004 through May 1, 2008. New Schedule A is reflected in Attachment A.</p>	<u>Effective</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>		<u>\$1.33</u>	<u>\$1.35</u>	<u>\$1.37</u>	<u>\$1.39</u>	<u>\$1.41</u>
<u>Effective</u>	<u>5/1/04</u>	<u>5/1/05</u>	<u>5/1/06</u>	<u>5/1/07</u>	<u>5/1/08</u>								
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<p><b>Other Compensation Issues</b></p>	<p>For the Utility classification in the Mechanics' Agreement, establish a 10-year pay progression as provided in Attachment A. All utility employees will be placed in the pay progression corresponding to their years of service as currently defined for pay purposes (see Attachment G).</p>												
<p><b>Variable Benefits</b></p>	<p>Compensation-based welfare benefits (e.g. life insurance, disability, and pension) shall be based on reduced actual wage rates (No Book Rates).</p>												
<p><b>Retirement Plan Benefits</b></p>	<p>No change to current contracts.</p>												
<p><b>Active Health Benefits</b></p>	<p>IAM 141M will participate in the medical and dental program described in Attachment B - Benefits.</p>												

<b>Retiree Health Benefits</b>	As described in Attachment B - Benefits.
<b>Other Benefits</b>	As described in Attachment B - Benefits.
<b>Work Rules and Productivity</b>	<p>For the Mechanics' Agreement:</p> <p>Delete Letters 91-7 and 91-8.</p> <p>Delete Letters 75-1M and Letter 61-1 and revise Article II-C (sixth sentence relating to receipt and dispatch).</p> <p><b>Revise Article II-C to read:</b></p> <p><b>C.</b> All work performed directly by the Company involving the making, assembling, erecting, dismantling and repairing of machinery of all description including aircraft and component parts thereof, and including installation and maintenance of ground communication equipment, servicing of aircraft and ground equipment with fuel and lubricant, cleaning and polishing of aircraft (interior and exterior), the cleaning of aircraft parts, all cleaning and janitorial work, the operation of heating plants, keeping of grounds, and other utility work, is recognized as coming within the jurisdiction of the International Association of Machinists and is covered by the Agreement. It is understood that employees in the mechanical classifications covered by this Agreement may be assigned to perform any maintenance or service work including electrical maintenance and repair work that employees are able to perform. It is further understood that at locations where no employees covered by this Agreement are assigned, any employee may be used to perform occasional utility, maintenance and repair work not involving Mechanic's work on aircraft. When Mechanics are assigned to Class III stations primarily for ground equipment and building maintenance, the employees assigned shall perform all ground equipment and building maintenance work they are qualified, equipped, and reasonably available to perform, and may be assigned to perform minor routine checks and/or minor non-routine aircraft repairs. Employees in the Mechanic classification at such stations who are awarded vacancies which specify an FAA Mechanics' certificate with an Airframe and Power Plant rating as a qualification shall be entitled to license pay although they do not work primarily on aircraft or aircraft components. <u>Any IAM-represented</u> employee may be used for receiving and dispatching of aircraft, fueling, oiling and related servicing of aircraft and occasional supplementary maintenance or service work not involving mechanical work on ground equipment, facilities or aircraft. It is further understood that the Company reserves the right to contract for the construction or installation of new facilities, equipment or machinery; or to return equipment parts or assemblies to the manufacturer for repair or replacement; or to purchase necessary parts, equipment or facilities. Subject to the limitation set forth in Article II, Paragraph D, it is further understood that the Company reserves the right to contract for building maintenance or repair work when the Company's personnel or facilities are not sufficient or available; or to</p>

	<p>continue to contract out the types of work heretofore customarily contracted out; or to contract out any work when its facilities or personnel are not sufficient or available. Subject to the limitation set forth in Article II, Paragraph D, the Company reserves the right to contract out other work but if such work comes within the scope of this Agreement, notice will be served on the Union before such contracting takes place. After receipt of notice by the Union of intent to contract out such work, if such contracting indicates that any employee covered by this Agreement will be reduced, laid off, or transferred as a result, either party to this Agreement may serve notice of a desire to negotiate for the procedure to be followed and the protection to be afforded employees involved. Actual negotiations under this provision will be initiated within ten (10) days from receipt of a notice of desire to negotiate the matter and no employee affected will be reduced, laid off or transferred in less than forty (40) days after receipt of such notice.</p> <p><b>Revise Article V-A.1 to read:</b></p> <p><b>A. Lead Employees</b></p> <p><b>1. Lead Mechanics</b></p> <p>The Company shall determine the number of Lead Mechanics which its services require at Maintenance Bases and Line Service Stations and select them under the procedures of Article XI of this Agreement from the Mechanics or higher classification with due consideration for their ability to handle men and accept responsibility. It is understood that at all points or Line Service Stations except Maintenance Bases, where it is found necessary to maintain <u>five (5)</u> or more Mechanics on a shift, one (1) employee will be designated as Lead Mechanic on the shift. A Lead Mechanic's group may consist of any number of employees, but in no case shall there be included within his group more than <u>fifteen (15)</u> employees.</p> <p><b>Revise Article VI-A to read:</b></p> <p><b>A.</b> Eight (8) consecutive hours of service, exclusive of meal period, will constitute a work shift.</p>
<p><b>Job Security and Scope</b></p>	<p>Revise Article II-D (restriction on contracting out no more than 20% of all maintenance work) to provide that (a) the Company may contract out the work of heavy maintenance visits<sup>2</sup> without restriction and (b) the Company may contract out up to 20% of all remaining maintenance work as currently measured by the sum of the annual budget. Article IV-B will also be revised to provide that IAM inspectors will perform oversight inspection at any location where United's heavy maintenance is performed, applying Company standards and subject to Company review.</p> <p><b>Revise Article II-D to read:</b></p>

<sup>2</sup> Attachment F further addresses heavy maintenance visits.

**D. The Company may contract out the work of heavy maintenance visits (as defined by current Company practices consistent with AOP and MOP guidelines) without restriction. Additionally, the Company may contract out up to 20% of all remaining maintenance work annually as measured by the sum of the Maintenance Operations Division's gross annual budget, excluding the cost of heavy maintenance visits, plus those portions of stations' total gross annual budgets attributable to building maintenance and ground equipment maintenance, provided however this percentage may be exceeded in the event the Company has fully utilized its existing equipment or facilities.**

Eliminate Articles II-E (Mechanics and FTI) and Article II-D (MI) that restrict the outsourcing of work that results in the layoff of any IAM-represented employee.

Revise Article II-F to allow the Company to dispose of its Oakland and Indianapolis maintenance facilities while preserving the protection of the San Francisco Maintenance Center. Add language permitting a joint venture with a third party to provide capital improvements.

**Revise Article II-F to read:**

**F. The Company will not sell, lease or otherwise transfer or dispose of its maintenance facility at the San Francisco Maintenance Center.** This includes the Company's engine maintenance facility located in San Francisco. The Company is permitted to enter into sale/lease back arrangements for financing reasons and/or a joint venture with a third party to provide necessary capital improvements. Notwithstanding the above, the Company may a) sell, lease or otherwise transfer the above facilities as part of a sale, lease or transfer, within a twelve month period, of all or substantially all the Company's assets, and b) sell, lease or otherwise transfer portions of the above facilities to the extent such portions constitute unused capacity. In the event the facilities specified in this paragraph become unavailable due to the loss of lease (or other circumstances beyond the Company's control), or become uninhabitable due to a natural disaster, the Company agrees to make every reasonable effort to replace such facility unless it is not financially reasonable to do so.

Delete Letters 94-4M(code share), 91-4M (Change of Control - Rights Agreement), 02-13M (Cabotage) and 94-2M ("U-2").

**Revise Letter 94-5M to read:**

Letter 94-5M  
July 12, 1994  
Revised May 1, 2003



Mr. Scotty Ford  
President and General Chairman  
International Association of Machinists  
and Aerospace Workers-District 141M  
321 Allerton Avenue  
South San Francisco, California 94080

Dear Scotty

This will confirm the following understandings reached regarding job security during the recent negotiations:

No employee on the payroll or on leave of absence as of January 1, 1990 and no employee currently on furlough with right of recall as of January 1, 1990 who is subsequently recalled, shall be laid-off during the term of this agreement.

To the extent that, between May 1, 2003 and June 30, 2003, inclusive, the total number of retirements and separations by active employees on the mechanic classification seniority list who are senior to January 1, 1990 falls short of 600, the protected date will be revised to exclude that number of mechanic positions. This adjustment to the protected date will take effect on July 15, 2003.

Additionally, no utility employee protected by the provisions in the two preceding paragraphs, who is located at BOS, ORD, DEN, LAX, SFO, WAS or NYA points, shall be laid off or displaced to a different area seniority point as a result of outsourcing the work currently being performed by utility employees at those stations.

This provision does not apply under the following circumstances:

**1)** to an employee who fails to exercise his seniority in his classification on the system in filling a permanent vacancy or bumping an employee not protected by this paragraph, except as provided above, in a job he is qualified to perform, or refuses to fill a permanent job in a higher classification that the employee is qualified to perform.

**2)** to part-time or temporary employees;

**3)** to employees who are being laid-off as a direct result of:

**(a)** an act of nature;

**(b)** a strike or labor dispute;

- (c) 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;
- (d) a revocation of the Company's operating certificate(s) or the grounding of a substantial number of the Company's aircraft by government action;
- (e) a declared or undeclared war or national emergency;
- (f) compulsion by a government agency, legislative or court action.

This letter shall remain in full force and effect through the 2003-2009 Agreement.

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

Sincerely,

Peter B. Kain  
Vice President – Labor Relations

Accepted and Agreed to this  
\_\_th day of \_\_\_\_\_, 2003

/s/ Scotty Ford \_\_\_\_\_  
Scotty Ford  
President & General Chairman  
IAMAW - District 141M

**For FTI:**

**Revise Article II-F to read:**

F. No fewer than 50% of active employees in each classification as of March 11, 2003, except as provided in paragraph 4 below, will be protected in their classification and shall not be laid off during the term of this agreement. This paragraph F shall remain in full force and effect through the 2003-2009 Agreement. This paragraph F does not apply under the following circumstances:

1. To an employee who fails to exercise their seniority in their classification on

the system in filling a permanent vacancy or bumping an employee not protected by this paragraph in a job they are qualified to perform, or refuses to fill a permanent job in a higher classification that the employee is qualified to perform.

2. To temporary employees.
3. To employees being laid off as a result of:
  - a. an act of nature;
  - b. a strike or labor dispute;
  - c. 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;
  - d. a revocation of the Company's operating certificate(s) or the grounding of a substantial number of the Company's aircraft by government action;
  - e. a declared or undeclared war or national emergency
  - f. compulsion by a government agency, legislative or court action.

4. To employees in the Flight Training Graphic Designer, Flight Training Audio Tech or Program Support Coordinator job classifications.

These job security provisions will be reviewed upon exit from bankruptcy in conjunction with training requirements. Affected employees will be considered for other positions for which they may be qualified.

Delete Letter 00-8T regarding protections in for Fleet reductions.

**For MI:**

**Revise Article II-E to read:**

**E. A minimum ratio of 1 Maintenance Instructor for every 125 aircraft mechanics will be protected in their classification and shall not be laid off during the term of this agreement. This paragraph E shall remain in full force and effect through the 2003-2009 Agreement. This paragraph E does not apply under the following circumstances:**

5. To an employee who fails to exercise their seniority in their classification on the system in filling a permanent vacancy or bumping an employee not protected by this paragraph in a job they are qualified to perform, or refuses to fill a permanent job in a higher classification that the employee is

qualified to perform.

- 6. To temporary employees.
- 7. To employees being laid off as a result of:
  - g. an act of nature;
  - h. a strike or labor dispute;
  - i. 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;
  - j. a revocation of the Company's operating certificate(s) or the grounding of a substantial number of the Company's aircraft by government action;
  - k. a declared or undeclared war or national emergency
  - l. compulsion by a government agency, legislative or court action.

**Revise Article II-F to read:**

**F.** The Company shall maintain Maintenance Instructors at the following locations: Chicago, Denver and San Francisco. The Company may add stations to this list as necessary.

**Revise Article VI-E to read:**

**E. Scheduling**

- 1. Maintenance Instructors will be given a minimum of seven (7) calendar days notice for teaching assignments requiring the instructor to travel. Advance notice is not required for Maintenance Instructors to teach locally.
- 2. Maintenance Instructors will be scheduled to provide a maximum of fifteen (15) days of classroom instruction per calendar month. Fifteen (15) day teaching assignments, occurring back to back in two (2) consecutive calendar months will be separated by an interval of five (5) calendar days.
- 3. Maintenance Instructors will not be scheduled to work or travel on January 1 or December 25 without concurrence of the employee.

The above restrictions may be waived by the Maintenance Instructor or by the Company in the event of an emergency.

	Delete Letter 00-14I that extends Mechanics' Agreement job security provisions to Maintenance Instructors.
<b>Low Cost Operation ("LCO")</b>	The parties will implement the solution described in Attachment C.
<b>Successor-ship and LPPs</b>	<p>Delete Letters 94-3I (Substantial Asset Sale) and 02-14M (Section 6 and contract extension rights).</p> <p><b>Revise Article III for all agreements to read:</b></p> <p style="text-align: center;"><b>ARTICLE III STATUS OF AGREEMENT</b></p> <p><b>A.</b> It is expressly understood and agreed that when this Agreement is accepted by the parties and signed by their authorized representatives, it will supersede any and all agreements existing or previously executed between the Company and any Union or individual affecting the craft or class of employees covered by this Agreement.</p> <p><b>B. Successorship Transactions</b></p> <p><b>1.</b> The Company and any Parent 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 50% or more of the equity of the Company or Parent or 50% or more of the value of the assets of the Company (<u>for the purpose of this paragraph, including the Low Cost Operation ("LCO") as described in Attachment I whether or not such operation is in a subsidiary of UAL or UA or contained within UA</u>) (a "Successorship Transaction") to employ or cause the Company to continue to employ the employees represented by the IAM in accordance with the provisions of the Agreement and to assume and be bound by the Agreement. "Parent" refers to UAL Corp. ("UAL") or any entity that has a majority control of the Company, whether directly or indirectly through the majority control of other entities that have majority control of the Company.</p> <p><b>2.</b> In order for a Successor to be required to employ or to cause the Company to continue to employ any of the employees covered by the Agreement 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.</p>

	<p><b>C.</b> The Company and its Parent 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 Union as the representative of the Successor’s employees, and to guarantee that the employees represented by the IAM under the Agreement will be employed by the Successor in accordance with the provisions of the Agreement.</p> <p><b>D.</b> 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 employees represented by the IAM under the Agreement immediately prior to the transaction with seniority integration rights provided in Sections 2, 3 and 13 of the Labor Protective Provisions specified by the Civil Aeronautics Board in the Allegheny-Mohawk merger (“Allegheny-Mohawk LPPs”).</p> <p><b>E.</b> <u>The Company will join the IAM in strongly opposing any changes in U.S. law that would permit Foreign Air Carriers to engage in cabotage. However, if cabotage is permitted, the Company shall not be prohibited from code sharing with any Foreign Air Carrier code share partner who engages in it.</u></p>
<p><b>Success Sharing</b></p>	<p><b>Revise Article XXII in the Mechanics' Agreement, by adding a new paragraph Q (Article XIX FTI new paragraph G and Article XXI MI new paragraph M) to read:</b></p> <p><b><u>Q. Success Sharing</u></b></p> <p><b><u>1. Performance Incentive Program</u></b></p> <p><u>All employees covered by this Agreement will participate in an annual incentive program that aligns the interests of management and other employees.</u></p> <p><b><u>a.</u></b> <u>Prior to each calendar year beginning with 2004, the Compensation Committee of the Board of Directors (“BOD”) will establish a performance incentive formula (the “Annual Incentive Formula”) that will provide a “Threshold” or minimum incentive payment, a “Target” or average incentive payment and a “Maximum” incentive payment for senior management, other management, pilots and other employees.</u></p> <p><b><u>b.</u></b> <u>The Annual Incentive Formula will be based on the following performance measures as reasonably weighted by the Compensation Committee. Each business unit (e.g., United Airlines, ULS) may have its own incentive plan measures. For example: financial performance (e.g., EBITDAR margin, pre-tax margin), operational performance (e.g., on-time performance), customer</u></p>

satisfaction (e.g., intent to repurchase), employee engagement, safety performance (e.g., lost time injuries) and reasonably comparable measures as adopted by the Committee.

c. A significant cash portion of the target cash compensation of management employees is payable through the Annual Performance Incentive Program. It is understood that the Compensation Committee of the BOD will, from time to time, review and adjust the target compensation levels, cash compensation levels and the portion of cash compensation at risk, provided that such compensation at risk remains a significant portion of the target cash compensation of management employees.

d. Employees covered by this Agreement will receive the following cash incentive payments based on United's actual performance under the annual incentive program (with linear interpolation between the performance points):

Threshold Performance: 2.5% of Wages

Target Performance: 5% of Wages

Maximum Performance: 10% of Wages

e. Qualifying income shall include base pay, overtime, holiday pay, longevity, sick pay, vacation pay, shift differential, and premiums but shall exclude expense reimbursement, incentive or profit sharing payments, pension payments, imputed income or other similar awards or allowances.

f. Incentive payments will be made to Union employees on the same date as incentive payments are made to management employees.

g. Incentive payments will be pensionable under the final average earnings pension plans applicable to IAM 141M members.

h. The incentive plan will cover each calendar year beginning in 2004.

i. Incentive payments will be paid to the employee, subject to applicable 401(k) deferral election, withholding and taxes.

j. The Company will provide any information requested by the Union to audit calculation of UAL's performance under the incentive plan and under the profit sharing program below. The parties agree that expedited arbitration shall be available for any disputes over incentive payment and profit sharing calculations.

## **2. Profit Sharing Program**

All employees covered by this Agreement will participate in a pre-tax profit sharing program with respect to calendar years beginning in 2005.

a. Pre-tax Profit is consolidated UAL pre-tax earnings as calculated

	<p><u>under U.S. generally accepted accounting principles and reported in regulatory filings but excluding (i) unusual, special or extraordinary charges or (ii) charges with respect to grant or exercise of employee equity or options or (iii) charges with respect to payments under this profit sharing program.</u></p> <p><b>b.</b> <u>The Annual Profit Sharing Pool is 15% of the excess of (i) annual Pretax Profit over (ii) the Annual Plan Threshold, but in no event more than the Pool Cap.</u></p> <p><b>c.</b> <u>The Annual Plan Threshold is the product of (i) net UAL revenues and (ii) the following percentages (which represent net pretax profit margins):</u></p> <table style="margin-left: auto; margin-right: auto;"> <tr><td style="text-align: center;"><u>2005</u></td><td style="text-align: center;">8%</td></tr> <tr><td style="text-align: center;"><u>2006</u></td><td style="text-align: center;">10%</td></tr> <tr><td style="text-align: center;"><u>2007</u></td><td style="text-align: center;">10%</td></tr> <tr><td style="text-align: center;"><u>2008</u></td><td style="text-align: center;">10%</td></tr> <tr><td style="text-align: center;"><u>2009</u></td><td style="text-align: center;">10%</td></tr> </table> <p><b>d.</b> <u>The Pool Cap is 8% of Wages of all participating employees.</u></p> <p><b>e.</b> <u>The Union's share (IAM 141M) of the Annual Profit Sharing Pool is _____% of the Pool.</u></p> <p><b>f.</b> <u>The Union will determine the manner in which its represented employees share of the Annual Profit Sharing Pool is distributed.</u></p> <p><b>g.</b> <u>Profit Sharing payments will be made on May 1<sup>st</sup> of the year following each program year.</u></p> <p><b>h.</b> <u>Profit Sharing payments will be paid to the employee, subject to applicable 401(k) deferral election, withholding and taxes.</u></p>	<u>2005</u>	8%	<u>2006</u>	10%	<u>2007</u>	10%	<u>2008</u>	10%	<u>2009</u>	10%
<u>2005</u>	8%										
<u>2006</u>	10%										
<u>2007</u>	10%										
<u>2008</u>	10%										
<u>2009</u>	10%										
<b>IAM 141M Equity</b>	See Attachment D.										
<b>Corporate Governance</b>	The Restructuring Agreement will provide for one designee from the IAMAW (District 141 and 141M combined) as a member of the Board of Directors.										
<b>Review Committee</b>	A standing review committee, consisting of two (2) District 141M representatives and two (2) Company representatives (plus additional representatives if deemed appropriate by the District and the Company) shall be maintained by the parties for the purpose of evaluating the possibility of bringing maintenance work in house and reviewing whether the Company has the necessary facilities and equipment to perform such work. The committee shall meet on a continuing basis, but no less than quarterly, and the Company shall provide to the Committee all necessary information for the Committee to										



	perform this function.
<b>Further Events</b>	The parties agree in concept to negotiate under the following principles with respect to any further revisions to the IAM 141M Agreements in connection with hostilities in Iraq: (i) any such revisions will take the form of temporary wage rate reductions for all employee and management groups in connection with the Company's attempt to secure government assistance and relaxation of lending covenants and (ii), if IAM 141M and the Company agree on such revisions, the value of the revisions will be repaid to the IAM 141M members out of profits subsequent to the Company's emergence from Chapter 11. Specific terms and conditions to be developed in connection with the negotiation of such revisions.
<b>Utility Part-Time Rules</b>	Permit part-time utility work, per Attachment E.

## Attachment A

### SCHEDULE A

	Current <u>03/14/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
<b>Lead Mechanic</b>	\$30.46	\$26.50	\$26.90	\$27.30	\$27.71	\$28.13	\$28.55
<b>Aircraft Inspector</b>	\$30.46	\$26.50	\$26.90	\$27.30	\$27.71	\$28.13	\$28.55
<b>Lead Flight Simulator Tech/SFORQ</b>	\$32.80	\$28.54	\$28.97	\$29.40	\$29.84	\$30.29	\$30.74
<b>Flight Simulator Tech/SFORQ</b>							
Thereafter	\$30.94	\$26.92	\$27.32	\$27.73	\$28.15	\$28.57	\$29.00
1 <sup>st</sup> 6 mos	30.28	26.34	26.74	27.14	27.55	27.96	28.38
<b>Lead GCT</b>	\$5,763	\$5,014	\$5,089	\$5,165	\$5,242	\$5,321	\$5,401
<b>GCT</b>							
Thereafter	\$5,437	\$4,730	\$4,801	\$4,873	\$4,946	\$5,020	\$5,095
2 <sup>nd</sup> 6 mos	5,296	4,608	4,677	4,747	4,818	4,890	4,963
1 <sup>st</sup> 6 mos	5,229	4,549	4,617	4,686	4,756	4,827	4,899
<b>Shop Inspector</b>	\$29.67	\$25.81	\$26.20	\$26.59	\$26.99	\$27.39	\$27.80
<b>Mechanic</b>							
Thereafter	\$28.74	\$25.00	\$25.38	\$25.76	\$26.15	\$26.54	\$26.94
Next 6 mos	25.30	22.01	22.34	22.68	23.02	23.37	23.72
3 <sup>rd</sup> 18 mos	22.95	19.97	20.27	20.57	20.88	21.19	21.51
2 <sup>nd</sup> 18 mos	21.60	18.79	19.07	19.36	19.65	19.94	20.24
1 <sup>st</sup> 18 mos	18.98	16.51	16.76	17.01	17.27	17.53	17.79
<b>Lead CT</b>	\$5,304	\$4,614	\$4,683	\$4,753	\$4,824	\$4,896	\$4,969
<b>CT</b>							
Thereafter	\$5,004	\$4,353	\$4,418	\$4,484	\$4,551	\$4,619	\$4,688
Next 6 mos	4,405	3,832	3,889	3,947	4,006	4,066	4,127
3 <sup>rd</sup> 18 mos	3,996	3,477	3,529	3,582	3,636	3,691	3,746
2 <sup>nd</sup> 18 mos	3,758	3,269	3,318	3,368	3,419	3,470	3,522
1 <sup>st</sup> 18 mos	3,304	2,874	2,917	2,961	3,005	3,050	3,096
<b>Metrologist</b>							
Thereafter	\$31.37	\$27.29	\$27.70	\$28.12	\$28.54	\$28.97	\$29.40
Next 6 mos	30.96	26.94	27.34	27.75	28.17	28.59	29.02
Next 6 mos	30.68	26.69	27.09	27.50	27.91	28.33	28.75
1 <sup>st</sup> 3 mos	30.44	26.48	26.88	27.28	27.69	28.11	28.53
<b>Seamer</b>							
Thereafter	\$22.26	\$19.37	\$19.66	\$19.95	\$20.25	\$20.55	\$20.86
Next 6 mos	19.57	17.03	17.29	17.55	17.81	18.08	18.35
3 <sup>rd</sup> 18 mos	17.80	15.49	15.72	15.96	16.20	16.44	16.69
2 <sup>nd</sup> 18 mos	16.76	14.58	14.80	15.02	15.25	15.48	15.71
1 <sup>st</sup> 18 mos	16.04	13.95	14.16	14.37	14.59	14.81	15.03
<b>Mechanic Helper</b>							
Thereafter	\$20.55	\$17.88	\$18.15	\$18.42	\$18.70	\$18.98	\$19.26

*Restructuring Agreement Amendment  
IAM District 141M  
05/01/03*

Next 6 mos	16.08	13.99	14.20	14.41	14.63	14.85	15.07
3 <sup>rd</sup> 18 mos	12.69	11.04	11.21	11.38	11.55	11.72	11.90
2 <sup>nd</sup> 18 mos	10.54	9.17	9.31	9.45	9.59	9.73	9.88
1 <sup>st</sup> 18 mos	9.62	8.37	8.50	8.63	8.76	8.89	9.02

**Lead Utility Employee**

\$17.86	\$18.13	\$18.40	\$18.68	\$18.96	\$19.24	\$19.53
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**Utility Employee 10-Year Scale**

	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
1st year	\$8.06	\$8.18	\$8.30	\$8.42	\$8.55	\$8.68
2nd year	8.38	8.51	8.64	8.77	8.90	9.03
3rd year	8.72	8.85	8.98	9.11	9.25	9.39
4th year	9.07	9.21	9.35	9.49	9.63	9.77
5th year	9.52	9.66	9.80	9.95	10.10	10.25
6th year	10.00	10.15	10.30	10.45	10.61	10.77
7th year	10.50	10.66	10.82	10.98	11.14	11.31
8th year	11.34	11.51	11.68	11.86	12.04	12.22
9th year	12.25	12.43	12.62	12.81	13.00	13.20
10th year	14.15	14.36	14.58	14.80	15.02	15.25
Thereafter	16.85	17.10	17.36	17.62	17.88	18.15

**Fleet Technical Specialist  
Program Support Specialist  
Emergency Procedures Specialist  
Flight Training Program Specialist**

	Current <u>04/13/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	4,797	4,173	4,236	4,300	4,365	4,430	4,496
Step 2	5,035	4,380	4,446	4,513	4,581	4,650	4,720
Step 3	5,485	4,772	4,844	4,917	4,991	5,066	5,142
Step 4	5,723	4,979	5,054	5,130	5,207	5,285	5,364
Step 5	5,960	5,185	5,263	5,342	5,422	5,503	5,586
Step 6	6,198	5,392	5,473	5,555	5,638	5,723	5,809
Step 7	6,436	5,599	5,683	5,768	5,855	5,943	6,032
Step 8	6,674	5,806	5,893	5,981	6,071	6,162	6,254
Step 9	6,912	6,013	6,103	6,195	6,288	6,382	6,478
Step 10	7,176	6,243	6,337	6,432	6,528	6,626	6,725

**Program Support Coordinator**

	Current <u>04/13/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	4,581	3,985	4,045	4,106	4,168	4,231	4,294
Step 2	4,819	4,193	4,256	4,320	4,385	4,451	4,518
Step 3	5,268	4,583	4,652	4,722	4,793	4,865	4,938
Step 4	5,506	4,790	4,862	4,935	5,009	5,084	5,160
Step 5	5,744	4,997	5,072	5,148	5,225	5,303	5,383
Step 6	5,982	5,204	5,282	5,361	5,441	5,523	5,606
Step 7	6,220	5,411	5,492	5,574	5,658	5,743	5,829

Step 8	6,458	5,618	5,702	5,788	5,875	5,963	6,052
Step 9	6,696	5,826	5,913	6,002	6,092	6,183	6,276
Step 10	6,960	6,055	6,146	6,238	6,332	6,427	6,523

**Fleet Technical Instructor  
Emergency Procedures Instructor**

	Current <u>04/13/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	4,164	3,623	3,677	3,732	3,788	3,845	3,903
Step 2	4,380	3,811	3,868	3,926	3,985	4,045	4,106
Step 3	4,789	4,166	4,228	4,291	4,355	4,420	4,486
Step 4	5,006	4,355	4,420	4,486	4,553	4,621	4,690
Step 5	5,222	4,543	4,611	4,680	4,750	4,821	4,893
Step 6	5,438	4,731	4,802	4,874	4,947	5,021	5,096
Step 7	5,655	4,920	4,994	5,069	5,145	5,222	5,300
Step 8	5,871	5,108	5,185	5,263	5,342	5,422	5,503
Step 9	6,087	5,296	5,375	5,456	5,538	5,621	5,705
Step 10	6,327	5,504	5,587	5,671	5,756	5,842	5,930

**Flight Simulator Draftsman**

	Current <u>11/11/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	2,513	2,186	2,219	2,252	2,286	2,320	2,355
Step 2	2,638	2,295	2,329	2,364	2,399	2,435	2,472
Step 3	2,763	2,404	2,440	2,477	2,514	2,552	2,590
Step 4	2,888	2,513	2,551	2,589	2,628	2,667	2,707
Step 5	3,012	2,620	2,659	2,699	2,739	2,780	2,822
Step 6	3,155	2,745	2,786	2,828	2,870	2,913	2,957
Step 7	3,297	2,868	2,911	2,955	2,999	3,044	3,090
Step 8	3,439	2,992	3,037	3,083	3,129	3,176	3,224
Step 9	3,581	3,115	3,162	3,209	3,257	3,306	3,356
Step 10	3,727	3,242	3,291	3,340	3,390	3,441	3,493

**Flight Training Audio Technician  
Flight Training Media Producer  
Flight Training Electronic Media Designer  
Flight Training Graphic Designer**

	Current <u>11/27/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	3,033	2,639	2,679	2,719	2,760	2,801	2,843
Step 2	3,215	2,797	2,839	2,882	2,925	2,969	3,014
Step 3	3,397	2,955	2,999	3,044	3,090	3,136	3,183
Step 4	3,579	3,114	3,161	3,208	3,256	3,305	3,355
Step 5	3,761	3,272	3,321	3,371	3,422	3,473	3,525
Step 6	3,943	3,430	3,481	3,533	3,586	3,640	3,695
Step 7	4,125	3,589	3,643	3,698	3,753	3,809	3,866
Step 8	4,307	3,747	3,803	3,860	3,918	3,977	4,037
Step 9	4,489	3,905	3,964	4,023	4,083	4,144	4,206
Step 10	4,680	4,072	4,133	4,195	4,258	4,322	4,387

**Flight Training Senior Media Producer**

	Current						
	<u>11/27/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Step 1	3,215	2,797	2,839	2,882	2,925	2,969	3,014
Step 2	3,408	2,965	3,009	3,054	3,100	3,147	3,194
Step 3	3,601	3,133	3,180	3,228	3,276	3,325	3,375
Step 4	3,794	3,301	3,351	3,401	3,452	3,504	3,557
Step 5	3,987	3,469	3,521	3,574	3,628	3,682	3,737
Step 6	4,180	3,637	3,692	3,747	3,803	3,860	3,918
Step 7	4,373	3,805	3,862	3,920	3,979	4,039	4,100
Step 8	4,566	3,972	4,032	4,092	4,153	4,215	4,278
Step 9	4,759	4,140	4,202	4,265	4,329	4,394	4,460
Step 10	4,961	4,316	4,381	4,447	4,514	4,582	4,651

**Lead Maintenance Instructor**

	<u>03/14/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Ld Mech	\$30.46	\$26.50	\$26.90	\$27.30	\$27.71	\$28.13	\$28.55
License	\$4.50	\$3.92	\$3.98	\$4.04	\$4.10	\$4.16	\$4.22
Skill	<u>\$1.50</u>	<u>\$1.31</u>	<u>\$1.33</u>	<u>\$1.35</u>	<u>\$1.37</u>	<u>\$1.39</u>	<u>\$1.41</u>
	\$36.46	\$31.73	\$32.21	\$32.69	\$33.18	\$33.68	\$34.18
* 2080 / 12	\$6,319.73	\$5,499.87	\$5,583.07	\$5,666.27	\$5,751.20	\$5,837.87	\$5,924.53
5% override	<u>\$315.99</u>	<u>\$274.99</u>	<u>\$279.15</u>	<u>\$283.31</u>	<u>\$287.56</u>	<u>\$291.89</u>	<u>\$296.23</u>
	\$6,635.72	\$5,774.86	\$5,862.22	\$5,949.58	\$6,038.76	\$6,129.76	\$6,220.76
6% Lead pay	<u>\$398.14</u>	<u>\$346.49</u>	<u>\$351.73</u>	<u>\$356.97</u>	<u>\$362.33</u>	<u>\$367.79</u>	<u>\$373.25</u>
<b>Pay Rate</b>	<b>\$7,034</b>	<b>\$6,121</b>	<b>\$6,214</b>	<b>\$6,307</b>	<b>\$6,401</b>	<b>\$6,498</b>	<b>\$6,594</b>

**Maintenance Instructor**

	Current						
	<u>03/14/02</u>	<u>05/01/03</u>	<u>05/01/04</u>	<u>05/01/05</u>	<u>05/01/06</u>	<u>05/01/07</u>	<u>05/01/08</u>
Ld Mech	\$30.46	\$26.50	\$26.90	\$27.30	\$27.71	\$28.13	\$28.55
License	\$4.50	\$3.92	\$3.98	\$4.04	\$4.10	\$4.16	\$4.22
Skill	<u>\$1.50</u>	<u>\$1.31</u>	<u>\$1.33</u>	<u>\$1.35</u>	<u>\$1.37</u>	<u>\$1.39</u>	<u>\$1.41</u>
	\$36.46	\$31.73	\$32.21	\$32.69	\$33.18	\$33.68	\$34.18
* 2080 / 12	\$6,319.73	\$5,499.87	\$5,583.07	\$5,666.27	\$5,751.20	\$5,837.87	\$5,924.53
5% override	<u>\$315.99</u>	<u>\$274.99</u>	<u>\$279.15</u>	<u>\$283.31</u>	<u>\$287.56</u>	<u>\$291.89</u>	<u>\$296.23</u>
<b>Pay Rate</b>	<b>\$6,636</b>	<b>\$5,775</b>	<b>\$5,862</b>	<b>\$5,950</b>	<b>\$6,039</b>	<b>\$6,130</b>	<b>\$6,221</b>

**Attachment B  
Mechanics' Agreement Benefits<sup>3</sup>**

Revise Article XXIV to read:

**ARTICLE XXIV**

**HEALTH AND WELFARE**

**A. Health and Welfare Benefits**

1. The Company agrees that the following Company benefits will not be reduced without Union approval except when the reduction is accompanied by a simultaneous improvement in benefits which results in an equal or greater premium cost to the Company.
2. The Company will provide the following Company Medical, Dental and Life Insurance benefits to employees in active service or on extended illness status, including coverage for Eligible Dependents, except as otherwise specified. Employees will be offered Health Maintenance Organization (HMO) medical coverage as an option to Company Medical Insurance in accordance with the Federal Health Maintenance Organization Act of 1973 as amended.
3. The following changes to medical and dental benefits will take effect July 1, 2003 ("Effective Date") unless otherwise indicated.
4. Eligible Dependent will include an employee's Qualified Domestic Partner. A Qualified Domestic Partner is an employee's domestic partner who is of the same sex as the employee and who has been enrolled by the employee with the Company as his or her domestic partner in accordance with the rules and procedures established by the Company.
5. The Company Medical and Dental Benefits (including Dependent coverage) of an employee who is laid off from active service due to a reduction in force will be continued while he is on layoff for a period of ninety (90) days from the date of his layoff if the employee pays the required employee contribution.

**B. Medical Benefits**

1. An employee electing to be covered for medical benefits will be required to make a monthly contribution for such coverage. Required monthly contributions will be governed by the following:

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<sup>3</sup> Benefits described herein are applicable to Mechanics' Agreement only except for sick leave, which also applies to the Maintenance Instructors Agreement. All other benefit provisions in the MI and FTI Agreements remain tied to the management plan.

- a. The required contribution for each month of coverage under the Medical Preferred Provider Option ("Medical PPO") will be based on a 4-tier structure (1 Adult, 2 Adults, 1 Adult + Child(ren) and 2 Adults + Child(ren)).
- b. For employees on the Company's payroll, the required contributions for medical coverage will be paid by payroll deduction on a pre-tax basis. Such pre-tax payments are in addition to the amounts, if any, that the employee elects to defer to a Health Care Spending Account under the Flexible Spending Program.
- c. For individuals not on the Company's payroll (such as employees on unpaid leave of absence, retirees, and survivors) or employees on the active payroll who are on ANP or otherwise do not have a sufficient paycheck from which to take the payroll deduction, the required employee contributions will be paid on an after-tax basis.
- d. For July 2003 through December 2003, the required contribution for each month of coverage under the Medical PPO is equal to the following:

<u>2003</u>		
<u>Coverage Tier</u>	<u>Total Monthly Cost of Coverage</u>	<u>Required Monthly Contribution (20% of Total Monthly Cost)</u>
<u>1 Adult</u>	<u>\$252.38</u>	<u>\$50.48</u>
<u>2 Adults</u>	<u>\$529.99</u>	<u>\$106.00</u>
<u>1 Adult + Child(ren)</u>	<u>\$479.51</u>	<u>\$95.90</u>
<u>2 Adults + Child(ren)</u>	<u>\$757.13</u>	<u>\$151.43</u>

For each calendar year after 2003, the required contribution for each month of coverage under the Medical PPO is equal to 20% of the total projected cost of the Medical PPO for each such calendar year, for the coverage tier elected; provided, however, that any increase from one calendar year to the next will not exceed 7% of the prior year's contribution, rounded to the nearest penny.

- e. The contributions for each month of coverage under an HMO is equal to the total monthly cost of the HMO minus the amount of the Company's contribution that would apply for such coverage tier for each such month of coverage under the Medical PPO.
2. The Company will conduct a special Open Enrollment for medical benefits with participant elections to be effective July 1, 2003. During the special Open Enrollment and during each Open Enrollment thereafter, an employee eligible for medical coverage may make an election on behalf of himself and eligible dependents regarding medical coverage. The employee may elect to be covered for medical benefits under either the Medical PPO or an applicable Health Maintenance Organization ("HMO"), or he may elect not to be covered for medical benefits. An employee who is eligible to make an election during the special Open Enrollment to be

effective July 1, 2003, but who fails to make an election, will be deemed to have elected medical coverage for himself and all his eligible dependents as reflected in the Company's Insurance Department benefits records. Such enrollment will be in either the Medical PPO, or if enrolled in an HMO, in the same HMO, if such HMO is still available. If such HMO is not available, coverage will be defaulted to the Medical PPO. An employee who first becomes eligible to make an election after the special Open Enrollment to be effective July 1, 2003 (or who again becomes eligible to make an election after returning to active service following a lapse in eligibility), but who fails to make an election, will be deemed to have waived coverage for herself and her eligible dependents. An employee who fails to make an election during any succeeding Open Enrollment will be deemed to have elected to continue the election previously in effect.

3. To add a new Dependent (including a newborn), delete a Dependent, or to make any other changes involving Dependents, the employee must notify the Company or its designee within 30 days of the event allowing the change (otherwise, changes regarding Dependents may be made only during an Open Enrollment)
4. The Medical PPO Benefits are as follows:
  - a. All covered medical expenses will be subject to a deductible in the amount of \$250.00 per person per calendar year and \$500.00 per family per calendar year. The family deductible is reached when covered family members have, in aggregate, paid an amount equal to the family deductible, but in no event may one person satisfy more than the individual deductible amount
  - b. Except as provided in paragraphs B.7.a., B.7.c.(1) and B.7.c.(3) below, covered expenses incurred from an in-network provider will be paid at eighty percent (80%) after the deductible is satisfied until the individual's out-of-pocket limit is reached and then will be paid at one hundred percent (100%) for that individual for the balance of the calendar year. Covered expenses received from an out-of-network provider will be reimbursed as described above except that the co-insurance amount is sixty percent (60%) rather than 80%.
  - c. The out-of-pocket limit is fifteen hundred dollars (\$1,500.00) per person per calendar year and three thousand dollars (\$3,000.00) per family per calendar year. The family deductible is reached when covered family members have, in aggregate, paid an amount equal to the family out-of-pocket limit, but in no event may one person satisfy more than the individual out-of-pocket amount.
  - d. In-network providers under the Medical PPO will be the providers in the Claim Administrator's network, which is currently BlueCross BlueShield's Blue Card PPO network. All other providers are considered out-of-network under the Medical PPO.
  - e. Under the Medical PPO, covered expenses incurred out-of-network will be considered and paid as in-network expenses in the following situations:



- (1) Covered individuals who receive covered treatment will receive in-network benefits for those expenses, if, within 30 driving miles of their home (including a temporary residence), there is no network specialist or in-network primary care physician or in-network hospital as applicable to the treatment in question.
- (2) Treatment in the event of an emergency.
- (3) Treatment received outside the United States.

f. Transition Period under Medical PPO

- (1) If an individual is receiving treatment prior to July 1, 2003 from an out-of-network provider, for one of the following, then such treatment provided during the Transition Period (as defined below) will be considered and paid as if provided by an in-network provider under the Medical PPO: pregnancy; surgery scheduled before July 1, 2003 to be performed on or after July 1, 2003 but before December 31, 2003; inpatient treatment in a hospital; dialysis; chemotherapy; treatment as a follow-up to an accident or injury occurring before July 1, 2003; terminal illness; or follow-up to a surgery performed before July 1, 2003.
- (2) The Transition Period begins July 1, 2003 and ends December 31, 2003, except as provided in paragraphs B.4.f.(3) and B.4.f.(4) below.
- (3) The Transition Period for pregnancy begins July 1, 2003 and continues for the lesser of:
  - a. Nine months, or
  - b. The period of the pregnancy (to include the period until discharge from the hospital after termination of the pregnancy, and to include the period during which the woman is treated for complications from the pregnancy).
- (4) The Transition Period for an infant born of a woman whose pregnancy is covered by the Transition Period in paragraph B.4.f.(3) above continues until the infant is discharged from the hospital.

5. Additional Covered Expenses

The following will be included as covered medical expenses under the medical plan:

- a. Home health care which must be provided under the terms of a primarily skilled Home Health Care Plan and must be provided by an approved home health care agency approved by the Plan. Coverage for home Health Care services will be provided when the care is determined by the Plan to be Medically Necessary. Eligible services must be provided in the employee's place of residence and include:
  - part-time or intermittent skilled nursing care by or under the supervision of a Registered Nurse;
  - services of a home health aide other than a member of the employee's family or a person who lives in their home when the service is part of a skilled Home Health Care Plan;
  - physical therapy, occupational therapy, and speech therapy provided through the Home Health Care Agency; and

- medical supplies, drugs and medicines that require a prescription by law, and laboratory services.

Eligible services will not include housekeeping, cooking, babysitting, and the like.

**b.** Extended Care Facilities that have been approved by the Plan if the confinement in the extended care facility is ordered by the employee's or dependent's physician for continuing treatment of an illness or injury and if the employee or dependent requires convalescent care that requires medical supervision and skilled nursing services.

**c.** Coverage for Hospice care will be provided for terminally ill individuals with a life expectancy of six (6) months or less if approved by the Plan.

Eligible services include:

- Part-time nursing care (Registered Nurse)
- Physical, occupational and speech therapy
- Medical social services under the direction of a physician
- Part-time services of a home health aide
- Necessary medical supplies
- Laboratory services
- Physicians' services
- Up to three (3) psychological, spiritual and bereavement counseling sessions for surviving members of the terminally ill person's immediate family

- d. Expenses for the wellness program described in Attachment A.
- e. Expenses for hearing examinations, hearing aids and batteries for hearing aids up to a maximum payment of \$5,000 per person per lifetime.
- f. Expenses for an annual cervical cytology screening, including a pelvic examination, the collection and preparation of pap smear and the associated lab and diagnostic services.
- g. Expenses for an annual PSA test for men age 50 and over.

**6.** Licensed Clinical Social Workers (LCSW) will be considered covered providers under the Plan.

**7.** The following will also apply:

- a.** The need for and duration of confinement to any treatment facility must be pre-certified. The portion of the confinement which is certified will be considered a covered medical expense. Any portion of the confinement not certified will be payable at fifty percent (50%). The remaining fifty percent (50%) will not apply to the out-of-pocket limit. Participants will notify the proper party of emergency admission within forty-eight (48) hours after admission, if possible, or as soon thereafter as possible.

**b. Prescription Drugs under the Medical PPO**

- (1) Expenses for prescription drugs filled at retail are subject to the deductibles and co-insurance applicable to in-network expenses.
- (2) Mail delivery of prescription drugs is available for maintenance drugs and is mandatory for certain maintenance drugs after prescriptions have been filled three times at retail. Mail delivery prescription drugs are not subject to deductibles or co-insurance, but do require employee co-payments. These employee co-payments do not apply toward the deductible or out-of-pocket limits. For July through December 2003, the employee co-payments for mail delivery prescription drugs are:

\$15 for generic medication up to a 90-day supply, and  
\$45 for brand name medication for up to a 90-day supply.

For each calendar year after 2003, the employee co-payments will increase annually at the same rate as the total projected cost of the mail delivery prescription drug program increases; provided, however, that any increase in the employee co-payments for any year will not exceed 7% of the prior year's co-payment, rounded to the nearest dollar.

- (3) The prescription drug program will be subject to strong management to ensure consistency with medical necessity and generally accepted practice. In cases where alternative therapies, dosage changes or similar recommendations are made, the individual's physician will have the right to reject those recommendations made pursuant to the strong management program. Determinations about medical necessity clinically appropriate use of a drug, and similar determinations are not subject to rejection by the individual's physician, however, such physician may avail himself of the appeal process established by Medco Health or its successor. Such appeal will be reviewed and a decision made within 48 hours of receipt by Medco Health of the appeal.

**c. Psychiatric and Substance Abuse**

- (1) Covered expenses for out-patient psychiatric and substance abuse treatment received from an in-network provider will be payable at 80% and the employee's share does not apply to the out-of-pocket limit.
- (2) Coverage for in-patient psychiatric and substance abuse treatment received from an out-of-network provider is limited to 30 days per calendar year per person.
- (3) Covered expenses for out-patient psychiatric and substance abuse treatment received from an out-of-network provider will be payable at 50% and the employee's share does not apply to the out-of-pocket limit.

**d. The Medical PPO plan will have a right of reimbursement when the plan has paid the**

medical expenses of a plan participant and the plan participant later recovers any amount from a third party who is responsible for the illness or injury. The plan's recovery is the first dollar paid in the judgment or settlement and is limited to the amount of the award or the amount paid by the plan, whichever is smaller.

- e. Maintenance of Benefits. The medical PPO will apply Maintenance of Benefits for employees with other group coverage rather than Coordination of Benefits.
  - f. All covered expenses received from out-of-network providers are limited to an amount determined to be Reasonable and Customary. Reasonable and Customary shall be the amount up to which approximately 85% of the providers in a specific geographical area charge for a specific medical service. "Approximately" shall be limited to a variance of not more than five (5) percentage points from the 85%. The Insurance Company shall determine Reasonable and Customary.
  - g. Claims for Covered Expenses must be submitted for payment and received by the Claims Administrator within 12 months from the date charges are incurred.
8. The widow/er or surviving qualified Domestic Partner of an active employee or employee on Extended Illness Status, with 10 or more years of Company Seniority on the date of his/her death, will be covered by the active employee medical plan until the widow/er or surviving Qualified Domestic Partner becomes eligible for Medicare or remarries (or in the case of a Qualified Domestic Partner, enters into another domestic partnership), whichever occurs first. Children of the employee who satisfy the eligibility requirements of the Plan will continue to be covered until they no longer meet the eligibility rules, the widow/er or Qualified Domestic Partner is no longer covered, the dependent child becomes employed and eligible for medical coverage through their employment or the child becomes eligible for Medicare, whichever occurs first. Upon becoming eligible for Medicare, the widow/er or Qualified Domestic Partner will become eligible for retiree medical coverage on the same basis as retired employees.

### **C. Dental Benefits**

- 1. An employee electing to be covered for dental benefits will be required to make a monthly contribution for such coverage. Required monthly contributions will be governed by the following:
  - a. The required contribution for each month of coverage under the Traditional Dental Plan will be based on a 4-tier structure (1 Adult, 2 Adults, 1 Adult + Child(ren) and 2 Adults + Child(ren)).
  - b. For employees on the Company's payroll, the required contributions for dental coverage will be paid by payroll deduction on a pre-tax basis. Such pre-tax payments are in addition to the amounts, if any, that the employee elects to defer to a Health Care Spending Account under the Flexible Spending Program.

- c. For individuals not on the Company's payroll (such as employees on unpaid leave of absence, retirees, and survivors) or employees on the active payroll but who are on ANP or otherwise do not have a sufficient paycheck from which to take the payroll deduction, the required employee contributions will be paid on an after-tax basis.
- d. For July 2003 through December 2003, the required contribution for each month of coverage under the Traditional Dental Plan is equal to the following:

<u>2003</u>		
<u>Coverage Tier</u>	<u>Total Monthly Cost of Coverage</u>	<u>Required Monthly Contribution (20% of Total Monthly Cost)</u>
<u>1 Adult</u>	<u>\$33.41</u>	<u>\$6.68</u>
<u>2 Adults</u>	<u>\$70.15</u>	<u>\$14.03</u>
<u>1 Adult + Child(ren)</u>	<u>\$73.51</u>	<u>\$14.70</u>
<u>2 Adults + Child(ren)</u>	<u>\$110.25</u>	<u>\$22.05</u>

For each calendar year after 2003, the required contribution for each month of coverage under the Traditional Dental Plan is equal to 20% of the total projected cost of the Traditional Dental Plan for such calendar year, for the coverage tier elected; provided, however, that any increase from one calendar year to the next will not exceed 7% of the prior year's contribution, rounded to the nearest penny.

- e. The contributions for each month of coverage under a DHMO is equal to the total monthly cost of the DHMO minus the amount of the Company's contribution that would apply for such coverage tier for such month of coverage under the Traditional Dental Plan.
2. The Company will conduct a special Open Enrollment for dental benefits with participant elections to be effective July 1, 2003. During the special Open Enrollment and during each Open Enrollment thereafter, an employee eligible for dental coverage may make an election on behalf of himself and eligible dependents regarding dental coverage. The employee may elect to be covered for dental benefits under either the Traditional Dental Plan or an applicable Dental Health Maintenance Organization ("DHMO"), or he may elect not to be covered for dental benefits. An employee who is eligible to make an election during the special Open Enrollment to be effective July 1, 2003, but who fails to make an election, will be deemed to have elected dental coverage for himself and all his eligible dependents as reflected in the Company's Insurance Department benefits records. Such enrollment will be in either the Traditional Dental Plan, or if enrolled in a DHMO, in the same DHMO, if such DHMO is still available. If such DHMO is not available, coverage will be defaulted to the Traditional Dental Plan. An employee who first becomes eligible to make an election after the special Open Enrollment to be effective July 1, 2003 (or who again becomes eligible to

make an election after returning to active service following a lapse in eligibility), but who fails to make an election, will be deemed to have waived coverage for himself and his eligible dependents. An employee who fails to make an election during any succeeding Open Enrollment will be deemed to have elected to continue the election previously in effect.

3. To add a new Dependent (including a newborn), delete a Dependent, or to make any other changes involving Dependents, the employee must notify the Company or its designee within 30 days of the event allowing the change (otherwise, changes regarding Dependents may be made only during an Open Enrollment).
4. After the deductible has been satisfied, covered dental expenses shown in the Summary Plan Description will be paid as follows:
  - Preventive (Class I) Procedures at 100% (The deductible amount will be waived for preventive procedures).
  - Restorative (Class II) Procedures at 80%
  - Major (Class III) Procedures at 50%
  - Orthodontic Procedures at 50%

The deductible is \$50.00 per person per calendar year with a maximum of two (2) deductibles per family per calendar year.

Payment will be based on reasonable and customary charges as determined by the Insurance Company. Reasonable and customary shall be the amount up to which approximately 85% of the dentists in a specific geographical area charge for a specific dental procedure. "Approximately" shall be limited to a variance of not more than five (5) percentage points from the 85%.

**Maximum Payment**

- Non-Orthodontia Treatment: \$2,000.00 per person per calendar year.
- Orthodontia Treatment: \$2,000.00 per person per lifetime.

Pre-treatment Review will be required for any non-emergency dental treatment that is expected to cost over \$200. Only the portion of the treatment that is approved will be considered for payment.

5. Maintenance of Benefits. The Traditional Dental Plan will apply Maintenance of Benefits for employees with other group coverage rather than Coordination of Benefits.
6. Deadline to Submit Claims. Claims for Covered Expenses must be submitted for payment and received by the Claims Administrator within 12 months from the date charges are incurred.

**D. Life Insurance Benefits will be provided as follows:**

1. Company Paid - The amount of Company Paid Life Insurance will be equal to 2080 times the employee's Schedule A base hourly rate of pay in effect on January 1 each year

rounded to the nearest one thousand dollars (\$1,000). The maximum benefit will be seventy thousand dollars (\$70,000) and the minimum benefit will be thirty thousand dollars (\$30,000).

2. Contributory Life Insurance - Employees have the option to purchase additional life insurance under Part I or Parts I and II.
  - a. Part I - Additional twenty thousand dollars (\$20,000) is available at a rate of forty cents (40¢) per month per thousand dollars (\$1,000).
  - b. Part II - Additional twenty thousand dollars (\$20,000) is available at a rate of forty cents (40¢) per month per thousand dollars (\$1,000).
3. Dependent - A benefit in the amount of ten thousand dollars (\$10,000) will be provided for an employee's spouse/Qualified Domestic Partner and each eligible child under age 22.
4. Effective January 1, 2004, employees will be provided the opportunity to purchase life insurance through the Group Universal Life Insurance Plan offered to management and salaried employees. The coverage in paragraph 2 above will be discontinued the same date the Group Universal Life Insurance becomes effective.

**E. Retiree Medical Benefits applicable to employees who retire on or after July 1, 2003.**

(1) An employee (and his eligible dependents and survivors) will be eligible for retiree medical benefits if the employee, at retirement, meets one of the following:

Either

- a. Age 55 or older with ten (10) or more years of service, and
- b. Retires from active status or illness leave of absence, and
- c. Continues to make required contributions.

Or

- d. Employment is terminated under the provisions of Article XV, Paragraph D. by exhausting the full period of Extended Illness Status (EIS); and
- e. Years of service are equal to or greater than 25 years; and
- f. Employee is collecting Social Security Disability Benefits; and
- g. Continues to make required contributions.

For these purposes an employee's "years of service" is equal to the period from the employee's company seniority date through the employee's retirement date.

(2) Pre-Medicare Retiree Medical Benefits. When first eligible, and during any subsequent Open Enrollment, a retired employee or survivor may elect from among the same options as are available to active employees (effective July 1, 2003, the Medical PPO, any available HMO, or no coverage). Coverage will not be offered

again once coverage has been waived or has ceased due to nonpayment of the required monthly contribution.

- (3) Monthly Contribution for Pre-Medicare Medical PPO. A retired employee or survivor electing to be covered for Pre-Medicare medical benefits will be required to make a monthly contribution for such coverage. The required contribution of each month of coverage under the Medical PPO will be based on a 4-tier structure (1 Adult, 2 Adults, 1 Adult + Child(ren), and 2 Adults + Child(ren)). The required contribution for each month of coverage under the Medical PPO is equal to a percentage of the total projected costs of the Medical PPO, based on the employee's years of service as follows:

<u>Years of Service</u>	<u>Percentage of Cost</u>
<u>10 through 19</u>	<u>80%</u>
<u>20 through 24</u>	<u>60%</u>
<u>25 and over</u>	<u>40%</u>

For each calendar year after 2003, the required contribution for each month of coverage under the Medical PPO is equal to the applicable percentage of the total projected cost of the Medical PPO for such calendar year, for the coverage elected. There is no limit on the increases to the monthly contribution, although co-payments for the mail order drugs are limited as provided for active employees.

- (4) Monthly Contribution for Pre-Medicare Medical HMO. The contribution of each month of coverage under an HMO is equal to the total monthly cost of the HMO minus the amount of the Company's contribution that would apply for such coverage tier for such month of coverage under the Medical PPO.
- (5) Post Medicare Retiree Medical Benefits. When first eligible, and during any subsequent Open Enrollment, a retired employee or survivor may elect from among one or more supplemental plans to Medicare offered by the Company. Coverage will not be offered again once coverage has been waived or has ceased due to nonpayment of the required monthly contributions.
- (6) Monthly Contribution for Post-Medicare Coverage. Eligible individuals must pay a monthly contribution for the cost of Post-Medicare coverage. For employees who retire on or after July 1, 2003 but before January 1, 2006, the monthly contribution is equal to 50% of the full cost of the coverage. The retiree share of the cost will not increase after the employee retires. For employees who retire on or after January 1, 2006, the monthly contribution is equal to the total projected cost of such post-Medicare coverage for the calendar year, per person, minus a Company contribution equal to \$90 per month per person covered. The retiree share of the cost will increase, without limit, after the employee retires.



- (7) If the retiree dies, dependent coverage may be continued, if premiums are paid, until the Spouse/Qualified Domestic Partner remarries (or in the case of a Qualified Domestic Partner, enters into another domestic partnership), moves outside the U.S. or Canada, is employed by the Company, or dies.

F. Retiree Life Benefits applicable to employees who retire on or after July 1, 2003.

- (1) Eligibility: An employee (and his eligible dependents and survivors) will be eligible for retiree life benefits if the employee, at retirement, meets the following:
  - a. Age 55 or older with ten (10) or more years of service, and
  - b. Retires from active status or illness leave of absence.For these purposes an employee's "years of service" is equal to the period from the employee's company seniority date through the employee's retirement date.

- (2) Benefit Amount; \$10,000

**G. Flexible Spending Account**

A Flexible Spending Account, as permitted by Section 125 of the Internal Revenue Code, will be made available to all active IAMAW-represented employees. Such Flexible Spending Account will provide that an employee may defer up to five thousand dollars (\$5,000) of his/her salary into a health care account and up to five thousand dollars (\$5,000) of his/her salary into a dependent care account. Elections must be made during periods of open enrollment. Any unused account balances remaining at the close of the plan year will be forfeited and will revert to the Company. The plan will allow for payment for all health care and dependent care expenses that are allowable under the Internal Revenue Code.

## Attachment C

### Establishment of a Low-Cost Operation

<b>Mutual Establishment of Terms for LCO</b>	The parties agree that it is essential to the Restructuring Agreement that a Low Cost Operation (“LCO”) be developed in order to permit UA and UAL Corp. (“UAL”) to more effectively compete against both low cost carriers and other network carriers. It is the parties’ intention to work together to identify and resolve any on-going issues with respect to maintaining the competitiveness of this LCO. “LCO” is a contract term and is not intended to restrict in any way the Company’s sole discretion with respect to branding.
<b>LCO Mechanic Work Performed by UA at Line Maintenance Locations</b>	UA will perform ground handling in or for the LCO, utilizing IAM 141M employees on the UA IAM 141M seniority lists, at designated maintenance locations under the terms and conditions of the Mechanics’ Agreement (which may, at UA’s option, include an LCO Side Letter of Agreement that reflects the terms of this Attachment C). Successor and transfer rights associated with the LCO shall be governed by Article III of the Mechanics’ Agreement (as revised herein).
<b>Optional Separate Subsidiary</b>	If UAL or UA establishes a separate majority-owned subsidiary of UAL or UA to house the LCO contemplated by this Attachment C, UAL and UA agree that such subsidiary will remain a majority-owned subsidiary of UAL or UA as applicable, so long as it continues as a corporation. Nothing in this paragraph limits or restricts in any way the Company’s right, in its sole discretion, to establish any other subsidiary at UA or UAL except an LCO subsidiary, which remains covered by the first sentences of this paragraph.
<b>Work Rules in Basic Agreement Modified</b>	All of the contractual rules and procedures for the mainline will apply in the LCO except as noted herein:  Any work covered by the Mechanics’ Agreement performed at non-maintenance stations may be contracted out and will be subject to the restrictions in Article II-D.

**Attachment D**  
**IAM 141M/UAL Distribution Agreement**

UAL Corporation (“UAL”), United Airlines, Inc. (the “Company”) and the International Association of Machinists, District 141M (“IAM 141M”), hereby agree as follows (the “Distribution Agreement”):

1. UAL, the Company, and IAM 141M are committed to the principle that the employees represented by IAM 141M should receive equity, securities, and/or other consideration under a plan of reorganization in an amount that fairly reflects the value of the IAM 141M members’ contribution to the reorganization of UAL and the Company.
2. In consideration for the IAM 141M members’ contributions given in connection with the consensual Section 1113 Restructuring Agreement reached between UAL, the Company, and IAM 141M effective May 1, 2003 (the “2003 Restructuring Agreement”), which modifies the parties’ various collective bargaining agreements (the “141M 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, upon the effective date of such Plan, the IAM 141M 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 dollar value of 30 months of average cost reductions under the 2003 Restructuring Agreement as reasonably measured under Labor Model 1.1a (the “IAM 141M Amount”); and

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

3. In addition, any Plan proposed or supported by UAL and/or the Company will provide the IAM 141M members with at least \_\_\_%<sup>4</sup> (subject to review of the IAM 141M members portion of the total agreed-upon labor cost savings from the 2003 Restructuring Agreement through April 30, 2009) of the common equity, securities and/or other consideration provided to all Company employees under the Plan in connection with employee cost reductions (the “Allocation”).
4. If, for any reason, a confirmed plan of reorganization in UAL or the Company’s Chapter 11 cases does not provide for both the Distribution and the Allocation, then IAM 141M on behalf of the IAM 141M members will be entitled to a stipulated and allowed nonpriority prepetition general unsecured claim equal to 110% of the IAM 141M Amount (the “Alternative Distribution”). This Distribution Agreement in no way converts any such claim into an administrative claim or any other claim with priority superior to a prepetition general unsecured

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<sup>4</sup> IAM 141M’s share subject to further review upon completion of other labor group agreements.

claim. IAM141M agrees that it will neither assert, support, nor solicit any assertion in any proceeding before the Bankruptcy Court or any other tribunal that any claims allegedly arising from this Distribution Agreement constitute administrative claims (or any other claims with priority superior to a prepetition general unsecured claim) under Sections 503, 507 or any other Section of the Bankruptcy Code.

5. Prior to the effective date of the Plan, IAM 141M will provide the Company with a reasonable allocation of the Distribution or the Alternative Distribution as applicable (which allocation will distribute all of the Distribution or the Alternative Distribution to the IAM 141M members).
6. The equities, securities and other consideration provided for, received and to be received under this Distribution Agreement and the other consideration provided for, received and to be received under this Restructuring Agreement, will be the sole and exclusive remedy for IAM 141M for a claim arising under the bankruptcy code with respect to the modifications made to the 141M Agreements by this Restructuring Agreement.

**Attachment E**  
**Utility Part-time Rules**

**Revise Article VI-M to read:**

**M. Part-time Utility Employee Shifts**

Part-time shifts may be established at locations where employees in the Utility Employee classification covered by this Agreement are located. The use of Part-time Utility Employees will be subject to the provisions of Article X-O of this Agreement.

1. Part-time shifts will be scheduled for a minimum of four (4) hours per day and a maximum of six (6) hours per day, exclusive of a thirty (30) minute meal period for employees scheduled for, or who actually work in excess of, four and one half (4-1/2) hours. A part-time workweek shall consist of a minimum of twenty (20) hours and a maximum of thirty (30) hours.
2. At no time will there be less than one (1) hour from the end of one part-time shift and the start of another part-time shift
3. Employees who work four (4) hours or more shall be granted a ten (10) minute rest period. Employees who work more than six (6) hours shall be granted two ten (10) minute rest periods.
4. Part-time work schedules will be governed by operational needs and will be rebid one (1) time per calendar year unless otherwise agreed to locally by the Company and Union.

**Revise Article VII to add a new paragraph A.4 to read:**

4. The rate of straight time shall be paid for work performed by Part-time Utility Employees beyond their scheduled hours up to a maximum of forty (40) hours in a work week except that the overtime rate of time and one-half shall be paid for the first four (4) hours of work in excess of eight (8) hours in a twenty-four (24) hour period and the rate of double time shall be paid for all time worked in excess of twelve (12) hours in any twenty-four (24) hour period.

**Revise Article X-A to read:**

- A. 1.** Seniority shall be by work classification and shall accrue from the date of entering the classification. The work classifications to be recognized for seniority purposes shall consist of Lead Mechanic, Aircraft Inspector, Shop Inspector, Mechanic, Mechanic's Helper, Seamer, Apprentice Mechanic, Lead Ground Communication Technician, Ground Communication Technician, Lead Flight Simulator Technician, Flight Simulator Technician, Lead Computer Technician, Computer Technician, Metrologist, Lead Utility Employee, Utility Employee and, effective May 1, 2003, Part-time Utility Employee.

**Revise Article X-H to read:**

**H. Layoff**

When it becomes necessary to lay off employees at any location on the Company's system, any temporary employees at the point will be terminated first and then system seniority in the basic classification (or station/area seniority point seniority for part-time Utility Employees) plus ability to perform the available work will govern. In any such layoff, the ratio of Apprentices as provided for in this Agreement will be maintained.

**Revise Article X-I to add new paragraphs 3 and 4 to read:**

**I.**

**3. Surplus full-time Utility Employees, who are not placed in the point shakedown process, may also elect the following part-time options at their station/point:**

**a. May fill a part-time vacancy in their current job classification at their current station/point.**

**b. If there are no part-time vacancies, the employee may displace the most junior part-time employee in the same job classification at their station/point.**

**c. When a surplus full-time employee fills a part-time position, the employee will continue to accrue seniority and maintain recall rights to a full-time position at their station/point.**

**d. If options a or b are not exercised, the employee may: 1) accept layoff with severance pay and recall rights to the station/point, or 2) request system full-time placement options with recall rights to their station/point.**

**4. Surplus part-time Utility Employees, who are not placed in the station/point shakedown process, may also elect the following options:**

**a. May fill a full-time vacancy in their current job classification at their current station/point prior to employees transferring into the classification under Article XI-N of this Agreement.**

**b. If option a is not exercised or is not available, the employee will be laid off with severance pay and recall rights to: 1) a part-time vacancy at the station/point, or 2) a full-time vacancy at the station/point after all laid off full-time employees have been offered recall.**

**Revise Article X-J to read:**

- J. 1.** The Company will furnish to full-time employees to be laid off a list of available permanent vacancies, probationary employees, or junior employees on the system, whichever is applicable, at the time the employees are notified of layoff. The employee will have three calendar days after notification of layoff and the furnishing of this information to him to decide whether he will accept layoff or fill a vacancy or, if no vacancies are available, displace a probationary employee or the junior employee on the system, whichever may be applicable. Temporary vacancies (vacancies of a known, limited duration) shall not be considered vacancies for the purpose of this entire Paragraph and subdivisions thereof.
- 2.** A full-time employee being laid off in a basic seniority classification because of a reduction in force may:
- a.** Accept layoff with right of recall at his point, or
  - b.** exercise his seniority to transfer to any other point on the system where vacancies exist for which he is qualified with the privilege of returning to his home station when the force is increased and he is entitled to be recalled.
  - c.** If unable to fill a vacancy under b above, he may submit an order of preference among stations where probationary employees are located, and will be permitted in the order of his station preference to displace a probationary employee whose work he is qualified to perform. He shall have the privilege of returning to his home station when the force is increased and he is entitled to be recalled.
  - d.** If unplaced through the operation of subparagraphs b or c he may exercise system seniority in his basic seniority classification to displace the junior employee on system whose work he is qualified to perform. He shall have the privilege of returning to his home station when the force is increased and he is entitled to be recalled. If two or more employees are to be laid off at the same time, the most senior employee will indicate his intention to displace the most junior employee in his basic seniority classification whose job he can perform, after which the next most senior employee to be laid off will indicate his intention to displace the most junior employee in his basic seniority classification whose job he can perform, et cetera.
  - e.** An employee may limit his willingness to displace to only a given location or locations from among several locations listed by the Company in application of subparagraphs c and d above. No employee may choose to displace a junior employee at another location so long as he is able to displace a probationary employee at any location on the system. Such employee, if unable to displace at the locations he has indicated, will be placed on lay off.
  - f.** Full-time Utility Employees may also exercise options in accordance with paragraph 1.3 of this Article.

**Revise Article X-O to read:**

- O. 1. Temporary employees may be hired to perform specific jobs by agreement between the Company and the Union. Under such agreements, temporary employees will not accrue seniority but will be subject to the wage and hour provisions governing other employees covered by this Agreement and such other employee benefits as may be agreed upon at the time.
2. When the needs of the service require, regular part-time employees in the Utility Employee classification may be employed. The number of part-time utility employees will not exceed 50% of the total number of full time Utility and Lead Utility employees (rounded to the nearest whole number) at a station/point with the exception of IAD, which will not exceed 75%. Part time utility employees in the following stations are not subject to the above percentage restrictions: BWI, CLE, DCA, DTW, HNL, LGA, OMA, PDX, PHL, PIT, SEA, SLC and MIA.

The Company will notify the System General Chairman, on a quarterly basis, beginning with January, of the names and locations of all part-time Utility Employees and the reasons for their employment. If any permanent full-time jobs become available while part-time employees are on the payroll at the location, such employees will be offered such jobs in the Utility classification before outsiders are hired, provided they have given the Company advance notification in writing of their desire to be considered.

All part-time Utility Employees are subject to all provisions of this Agreement except that classification seniority will be limited to their station/point for purposes of layoff and recall. Employees hired on a part-time basis will be subject to the hours of service provisions of this Agreement as specified for part-time employees in Article VI-M. Effective May 1, 2003, regular part-time employees shall progress through each step of the 10-year wage scale, specified for the Utility Employee classification in Schedule A of this Agreement, based on elapsed calendar months without regard to the number of hours worked. Employees will move to the next step of the wage scale with the pay period closest to the anniversary of their Longevity Seniority Date or Adjusted Longevity Seniority Date.

**Revise Article XI, paragraph A.2 to read:**

2. Vacancies in basic classifications at a point of sixty (60) days or longer not filled in accordance with Paragraph A-1 shall be filled, when no layoff is in progress, from among active or laid-off employees at other locations with system permanent bids on file. Such bids must have been received by the Company as of the preceding Friday.
  - a) Part-time Utility Employees may file a system permanent bid for part-time and full-time vacancies at other locations. Such bids will be considered after all bids from regular full-time Utility Employees and before other transfer requests under Article XI-N of this Agreement.

**Revise Article XXIII, Paragraph B to add sub-paragraphs B.2 and B.3 to read:**



- B. 1.** The amount of severance pay due under this Article shall be based on the length of total actual straight time compensated service with the Company under this or any other UAL-IAMAW Agreement since the employee's last date of hire with the Company (Company seniority date), and shall be computed on the basis of the employee's regular straight time basic hourly rate at the time of layoff.
- 2.** A part-time employee receives severance pay based on the scheduled hours during the two (2) pay periods before the date of notification of layoff.
- 3.** Calculation for both full-time and part-time employees is based on the following severance pay table:

<b>If Employee Has Completed</b>	<b>Severance Allowance</b>
Less than 1 year of service	None
1 year but less than 2 years of service	2 weeks
2 years but less than 3 years of service	2 weeks
3 years but less than 4 years of service	3 weeks
4 years but less than 5 years of service	4 weeks
5 years but less than 6 years of service	5 weeks
6 years but less than 7 years of service	6 weeks
7 years but less than 8 years of service	7 weeks
8 years but less than 9 years of service	8 weeks
9 years but less than 10 years of service	9 weeks
10 years but less than 11 years of service	10 weeks
11 years but less than 12 years of service	11 weeks
12 years or more of service	12 weeks

**Delete Letter 77-1M**

**Attachment F**

Letter 03-01M

Mr. Scotty Ford  
President and General Chairman  
International Association of Machinists  
and Aerospace Workers-District 141M  
321 Allerton Avenue  
South San Francisco, California 94080

Dear Scotty,

This letter will confirm the understanding reached during the negotiations of the 2003 Restructuring Agreement regarding the application of the revision to Article II-D concerning the outsourcing of heavy maintenance.

The reference to heavy maintenance visits as defined by current Company practice consistent with AOP and MOP guidelines is not intended to allow the Company to dramatically redefine or expand the definition of heavy maintenance visits beyond those changes which have traditionally arisen in the ordinary course of business, e.g. in response to the introduction of new equipment or procedures or in response to FAA or manufacturer suggestions or directives.

It was also agreed that, in conjunction with the outsourcing of heavy maintenance, IAM inspectors employed under this agreement shall perform oversight inspection at any location where United's heavy maintenance is performed, applying Company standards and subject to Company review.

Sincerely,

Peter B. Kain  
Vice President – Labor Relations

Accepted and Agreed to this  
\_\_th day of \_\_\_\_\_, 2003

/s/ Scotty Ford  
Scotty Ford  
President & General Chairman  
IAMAW - District 141M

**Attachment G**

Letter 03-02M

Mr. Scotty Ford  
President and General Chairman  
International Association of Machinists  
and Aerospace Workers-District 141M  
321 Allerton Avenue  
South San Francisco, California 94080

Dear Scotty,

This letter will confirm the understanding reached during the negotiations of the 2003 Restructuring Agreement regarding the placement of current full and part-time Utility Employees on to the new Schedule A 10-year Utility pay scale.

The parties have agreed that the placement of Utility employees will be accomplished in the following manner:

All current full and part-time Utility employees will be placed in the 10-year pay scale based on their Longevity Seniority Date. For employees who entered the classification under the provisions of Letter 84-5M, an Adjusted Longevity Seniority Date will be used to reflect the slotting credit given at the time the employee entered the Utility classification. Adjustments for periods of part-time service will also be reflected in the Adjusted Longevity Seniority Date.

Following initial placement on May 1, 2003, employees will progress through the 10-year scale based on elapsed calendar months with increases tied to the Longevity Seniority Date or the Adjusted Longevity Seniority Date, whichever is applicable.

The 10-year Schedule A shall apply to all current full and part-time employees as well as employees entering the Utility classification after the effective date of this Agreement.

Sincerely,

Peter B. Kain  
Vice President – Labor Relations

Accepted and Agreed to this  
\_\_th day of \_\_\_\_\_, 2003

/s/ Scotty Ford  
Scotty Ford  
President & General Chairman  
IAMAW - District 141M