

October 2, 1997

Mr. Kevin D. Lum, President  
UAL/AFA Master Executive Council  
Association of Flight Attendants  
6400 Shafer Court, Suite 250  
Rosemont, IL 60018

LETTER OF UNDERSTANDING—APPLICATION OF SECTION 12.B.1.b.

Dear Mr. Lum:

In the application of Section 12.B.1.b. of the Flight Attendant Agreement the parties agree that should the sixty percent (60%) Flight Attendant block hour distribution not be met, the Company is obligated to make the adjustment to meet the sixty percent (60%) requirement not later than the two schedule months following the month in which the sixty percent (60%) distribution is not met.

Notwithstanding the terms of the Flight Attendant Agreement the parties agree that there may be instances when it is beneficial to both parties to defer the adjustment one additional schedule month. Such determination shall be made based on the circumstances that exist at the time and shall not prejudice any determinations made based on any future circumstances.

Sincerely,

/s/ Sara Fields  
Sara Fields  
Senior Vice President  
Onboard Service

**LETTER OF AGREEMENT  
BETWEEN  
UNITED AIR LINES, INC.  
AND  
THE FLIGHT ATTENDANTS  
IN THE SERVICE OF  
UNITED AIR LINES, INC.  
AS REPRESENTED BY  
ASSOCIATION OF FLIGHT ATTENDANTS, AFL-CIO**

THIS LETTER OF AGREEMENT is made and entered into in accordance with the Railway Labor Act by and between UNITED AIR LINES, INC. (hereinafter referred to as the "Company") and the ASSOCIATION OF FLIGHT ATTENDANTS (hereinafter referred to as "AFA" or the "Association").

WHEREAS during the negotiations between the Company and Association (collectively, the "parties") leading to the Restructuring Agreement, dated May 1, 2003, the parties agreed to rates of pay and work rules for the United Airlines ("UA") Low Cost Operation aircraft (as defined below) in order to permit UA and UAL Corp. ("UAL") to more effectively compete against both low cost carriers and other network carriers and,

WHEREAS It is the parties' intention to work together to identify and resolve any on-going issues with respect to maintaining the competitiveness of this Low Cost Operation ("LCO"). "LCO" is a contract term and is not intended to restrict in any way the Company's sole discretion with respect to branding.

THEREFORE the parties to this Letter of Agreement hereby agree as follows:

- A. LCO Flying Performed by UA  
UA will perform all the flying in or for the LCO, utilizing UA Flight Attendants on the UA seniority list under the terms and conditions of the UA Flight Attendants' collective bargaining agreement.

## B. LCO Aircraft

The LCO will consist of B737-300/500 and A319/320 fleets or aircraft of no greater seating capacity than the maximum certificated capacity of the A320. All of UA's A319/320 and B737-300/500 aircraft including future deliveries in the fleet may be operated under the work rules contained in this attachment with no market restrictions. The LCO aircraft may be used at either the mainline or the LCO, at the Company's discretion.

## C. Compensation

The LCO will have a common pay scale for all flying, which shall be the same as the domestic pay scale.

## D. Optional Separate Subsidiary

If UAL or UA establishes a separate majority-owned subsidiary of UAL or UA to house the LCO, 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. All Flight Attendants in the LCO will continue to be solely UA employees operating under the UA air carrier certificate. 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 two sentences of this paragraph.

## E. Optional Certificate

If UAL or UA secures a separate air carrier certificate for such subsidiary, all Flight Attendants in the LCO will continue to operate solely as UA employees under the UA air carrier certificate.

## F. Work Rules in Basic Agreement Modified

All of the contractual rules and procedures for the mainline will apply in the LCO, except as modified herein.

## G. Separate Subsidiary

In the event the Company establishes a separate LCO subsidiary, the Company and the AFA agree to meet and establish work rules and pay rates, which will include:

1. A monthly schedule cap of 95 hours.
2. Bid Freeze

Flight attendants who bid into the LCO will incur a six (6) month freeze in the LCO prior to bidding for vacancies that become available on the Mainline operation. Flight attendants who are involuntarily furloughed or displaced as a result of surplus into the LCO will not incur a freeze. Such Flight Attendants may bid for vacancies that become available on the Mainline operation.

The parties to this Letter of Agreement hereby agree that it shall run concurrently with the Restructuring Agreement, dated May 1, 2003 and shall be concurrently subject to the provisions pertaining to duration and amendment contained therein.

The parties hereto have signed this Letter of Agreement this 1st day of May, 2003.

FOR THE FLIGHT ATTENDANTS  
IN THE SERVICE OF UNITED  
AIR LINES, INC.

FOR UNITED AIRLINES, INC:

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Patricia Friend, International President  
Association of Flight Attendants

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Peter B. Kain  
Vice President - Labor Relations

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Gregory E. Davidowitch, President  
UAL/AFA Master Executive Council  
Association of Flight Attendants