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FORM 10-K405

United Continental Holdings, Inc. - UAL

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Annual report filed under Regulation S-K Item 405 (Discontinued)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission File No. 1-6033

UAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-2675207

(IRS Employer
Identification No.)

Location: 1200 East Algonquin Road, Elk Grove Township, Illinois

60007

Mailing Address: P. O. Box 66919, Chicago, Illinois

60666

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (847) 700-4000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS

NAME OF EACH
EXCHANGE
ON WHICH REGISTERED

Common Stock, \$.01 par value

New York, Chicago and
Pacific Stock Exchanges

Depository Shares each representing
1/1,000 of a share of Series B
Preferred Stock, without par value

New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act:

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$713,424,427.74 as of February 28, 2002. The number of shares of common stock outstanding as of February 28, 2002 was 55,474,616.

Documents Incorporated by Reference

Part III of this Form 10-K incorporates by reference certain information from the Registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 16, 2002, which will be filed by April 30, 2002.

PART I

ITEM 1. BUSINESS.

UAL Corporation ("UAL" or the "Company") was incorporated under the laws of the State of Delaware on December 30, 1968. The world headquarters of the Company are located at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007. The Company's mailing address is P.O. Box 66919, Chicago, Illinois 60666. The telephone number for the Company is (847) 700-4000.

The Company is a holding company and its principal subsidiary is United Air Lines, Inc., a Delaware corporation ("United"), which is wholly owned. United accounted for most of the Company's revenues and expenses in 2001. United is a major commercial air transportation company, engaged in the transportation of persons, property and mail throughout the U.S. and abroad.

Airline Operations

During 2001, United carried, on average, more than 210,000 passengers per day and flew more than 108 billion revenue passenger miles. United's network, supplemented with strategic airline alliances, provides comprehensive transportation service within its North America segment and to international destinations within its Pacific, Atlantic, and Latin America segments. Operating revenues attributed to United's North America segment were \$10.7 billion in 2001, \$13.1 billion in 2000 and \$12.5 billion in 1999. Operating revenues attributed to United's international segments were \$5.4 billion in 2001, \$6.2 billion in 2000 and \$5.5 billion in 1999.

North America. United operates hubs in Chicago, Denver, Los Angeles, San Francisco and Washington-Dulles. United's North America operations accounted for 66.3% of United's revenues in 2001.

Pacific. Via its Tokyo hub, United provides passenger service between its U.S. gateway cities (Chicago, Honolulu, Los Angeles, New York, San Francisco and Seattle) and the Asian cities of Bangkok, Beijing, Hong Kong, Seoul and Singapore. United also provides nonstop service between Hong Kong and each of Chicago and San Francisco; between San Francisco and each of Osaka, Shanghai, Sydney and Taipei; between Los Angeles and each of Auckland and Sydney; between Chicago and Beijing; and between Sydney and each of Auckland and Melbourne.

In August 2001, United cancelled nonstop service between Hong Kong and New York.

The air services agreement between the U.S. and Japan provides an unlimited number of frequencies to certain carriers, including United. United also holds significant traffic rights from beyond Japan. These rights and the 2002 opening of Tokyo's Narita airport's second runway will provide United with the opportunity to add service from Japan to other Asian points as regulatory, competitive and economic conditions warrant.

United's Pacific operations accounted for 16.6% of United's operating revenues in 2001.

Atlantic. Washington-Dulles is United's primary gateway to Europe, serving Amsterdam, Brussels, Dusseldorf, Frankfurt, London, Milan, Munich and Paris. Chicago is United's secondary gateway to Europe, with nonstop service to Frankfurt, London and Paris. Although United currently offers direct service between Chicago and Dusseldorf, service will be discontinued and transitioned to its daily nonstop service between Washington-Dulles and Dusseldorf. United also provides nonstop service between London and each of Boston, Los Angeles, Newark, New York and San Francisco; between Frankfurt and San Francisco; and between Paris and San Francisco.

In 2001, United's Atlantic operations accounted for 12.9% of United's operating revenues.

Latin America. United's primary gateway to Latin America is Miami, providing service from Miami to Buenos Aires, Caracas, Montevideo (one-stop), Rio de Janeiro, Santiago and Sao Paulo. United also provides service between Mexico City and each of Chicago, Los Angeles, San Francisco, Washington, and San Jose (Costa Rica); between Los Angeles and each of Guatemala City and San Salvador; between Chicago and each of Aruba, San Juan, St. Thomas, and Sao Paulo; between New York and each of Buenos Aires and San Juan; between Washington and each of San Juan and St. Thomas; and between Guatemala City and San Jose. United intends to suspend its direct service between Chicago and Buenos Aires, effective March 5, 2002.

In 2001, United's Latin America operations accounted for 4.2% of United's revenues.

Financial information relative to the Company's operating segments can be found in Note 21 "Segment Information" in the Notes to

Consolidated Financial Statements.

September 11. On September 11, 2001, two United aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and in a crash near Johnstown, Pennsylvania. That same day, two American Airlines aircraft were also hijacked and destroyed in terrorist attacks on The World Trade Center and the Pentagon. Due to the decline in passenger air travel in the aftermath of the tragic events of September 11, United reduced its departure schedule by approximately 31% (equates to a 23% reduction in system-wide available seat miles), and redesigned its flight schedule to offer more choices to customers during peak times of day and fewer choices during the off-peak early morning and late evening hours. To accomplish this schedule change, United reduced daily utilization of its aircraft and reduced frequencies in some markets. United also ceased operation of its United Shuttle[®], which principally served the West Coast and Denver, as of October 31, 2001. Some of these markets are now served by United mainline service, while the rest are now served by United Express. Additionally, United Express also replaced United in some underperforming short-haul markets, and certain underperforming long-haul markets were eliminated. In response to the decline in international air travel, United suspended nonstop service between San Francisco and Seoul; between Hong Kong and each of Los Angeles and Singapore; between Chicago and Amsterdam; between Denver and Frankfurt; and between New York and Sao Paolo. United also suspended round the world service between Delhi and London and Delhi and Hong Kong.

United continues to monitor passenger demand and economic performance in all its markets and adjusts capacity accordingly.

For additional information, see "September 11 Terrorist Attacks" in Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 2 "Special Charges Related to the September 11 Terrorist Attacks" in the Notes to Consolidated Financial Statements.

United Cargo[®]. United Cargo offers both domestic and international shipping through its Small Package Delivery, T.D. Guaranteed, First Freight, International Freight, UA 2-Day service, and a door-to-door small package delivery service - United SameDay. Freight accounts for most of United Cargo's shipments, with mail making up the balance.

For the year 2001, United Cargo generated over \$700 million in freight and mail revenue, which represents a 24% decrease versus 2000, driven mainly by the discontinuation of the dedicated freighter operation, the softening economy and the impact of September 11. Following the events of September 11, traffic gradually improved, but volumes remained below pre-September 11 levels in part due to restrictions imposed by the Federal Aviation Administration ("FAA") on passenger carriers transporting mail over sixteen ounces.

United Cargo opened new warehouse facilities in Miami and Newark in 2001, and a new facility in Chicago in January 2002. United Cargo also opened a new facility in Los Angeles on February 11, 2002.

United Cargo's premium international time-definite service, T.D. Guaranteed, was recently expanded to offer service in United's widebody domestic markets within the U.S. United believes this added widebody capacity combined with the stabilization of United Cargo's recurring customer traffic and revenue initiatives should lead to a more stable revenue environment in 2002.

In February 2002, United Cargo introduced United SameDay Plus, which offers door-to-door delivery of heavy freight.

Fuel. Changes in fuel prices are industry-wide occurrences that benefit or harm United's competitors as well as United. Fuel-hedging activities may affect the degree to which fuel-price changes affect individual companies. To assure adequate supplies of fuel and to provide a measure of control over fuel costs, United ships fuel on major pipelines and stores fuel close to its major hub locations.

United's results of operations are significantly affected by the price and availability of jet fuel. It is estimated that, absent hedging, every \$.01 change in the average annual price-per-gallon of jet fuel causes a change of approximately \$28 million in United's annual fuel costs. United's average price per gallon of jet fuel in 2001 before taxes and hedges decreased by 8%, as compared to the previous year. Most of the decrease can be attributed to the fourth quarter in which spot U.S. Gulf jet fuel prices experienced a 41% decrease year-over-year due to the slowing U.S. economy and subsequent lack of demand for jet fuel.

Insurance. United carries liability insurance of a type customary in the air transportation industry, in amounts which it deems adequate, covering passenger liability, public liability, property damage liability and physical damage insurance on United's aircraft and property. United's aircraft liability insurance coverage for claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils was cancelled effective September 26, 2001. United was able to obtain replacement coverage on less favorable terms for claims not involving aircraft passengers. There can be no assurance, however, that such insurance will continue to be available. See "September 11 Terrorist Attacks" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Other Government Matters. In time of war or certain other national emergencies, the U.S. government may require United to provide airlift services under the Civil Reserve Air Fleet Program. Should United be required to provide a substantial amount of such services, its operations could be adversely impacted.

Marketing Strategy

Besides offering convenient scheduling throughout its domestic and international segments, United seeks to attract high yield customers and create customer preference by providing a comprehensive network, an attractive frequent-flyer program and enhanced product and service offerings.

Alliances. United has formed bilateral alliances with other airlines to provide its customers more choices and to participate worldwide in markets that it cannot serve directly for commercial or governmental reasons. An alliance is a collaborative marketing arrangement between carriers, which can include joint frequent flyer participation; code-sharing of flight operations; coordination of reservations, baggage

handling, flight schedules; and other resource sharing activities. "Code-sharing" is an agreement under which a carrier's flights can be marketed under the two-letter airline designator code of another carrier. Through an alliance, carriers can provide their customers a seamless global travel network under their own airline code. United now participates in a multilateral alliance, Star Alliance™.

Star Alliance is a global integrated airline network, whose mission is to deliver a smooth travel experience and offer rewards and recognition to passengers traveling across its global network. Collectively, based on first quarter 2002 scheduling, Star Alliance carriers serve more than 727 destinations in over 127 countries with 11,033 daily flights. This puts Star Alliance ahead of the closest competition, oneworld, with 550 destinations. Star Alliance enables its member carriers to more effectively compete with other worldwide alliances. Founded in 1997, Star Alliance has grown to 15 carriers. Besides United, Star Alliance includes: Air Canada, Air New Zealand, All Nippon Airways, Ansett Australia, Austrian Airlines, bmi british midland, Lauda Air, Lufthansa, Mexicana, SAS, Singapore Airways, Thai International Airways, Tyrolean and Varig. United currently holds bilateral immunity with Air Canada and integrated antitrust immunity with Lufthansa, SAS, and the Austrian Airlines Group. United is currently pursuing the addition of bmi british midland to its existing antitrust immunity with Lufthansa, SAS and Austrian Airlines Group.

Ansett Australia ceased operations in September 2001. In March 2002, the Management Conference Board of the Star Alliance recommended to the Chief Executives Board of the Star Alliance to remove Ansett Australia from the Alliance. The Chief Executives Board is expected to act on the recommendation by mid-March 2002.

United has also formed independent alliances with other air carriers. Currently, United has agreements with Aloha, BWIA West Indies Airways, Continental Connection (operated by Gulfstream), Emirates, Saudi Arabian Airlines and Spanair Airlines. United continually evaluates the need for relationships with these and other carriers and from time to time will change its alliance partners as conditions warrant.

In addition, United has a marketing program in North America known as United Express®, under which independent regional carriers, utilizing turboprop equipment and regional jets, feed United's major airports and international gateways. The carriers in the United Express program serve small and medium-sized cities in the U.S., linking those cities to United's hubs. United Express carriers include Air Wisconsin Airlines, Atlantic Coast Airlines and Sky West Airlines.

United also has a code-share agreement with Great Lakes Aviation, a regional carrier.

UAL Loyalty Services, Inc. In December 2001, UAL renamed United New Ventures, Inc., its wholly owned subsidiary, as UAL Loyalty Services, Inc. ("ULS"). ULS focuses on expanding the profitable, non-core marketing businesses of UAL and building customer loyalty for United. ULS operates in four areas: loyalty programs, travel distribution, direct-to-consumer services and media assets.

ULS operates substantially all United-branded travel distribution and customer loyalty e-commerce activities, such as united.com. It also owns and manages all of UAL's interests in various e-commerce enterprises, such as Orbitz and Hotwire (see Note 6 "Investments" in the Notes to Consolidated Financial Statements). In addition, as of January 1, 2002, ULS operates United's Mileage Plus frequent flyer program; United Vacations, United's leisure vacation product; Silver Wings Plus, a discounted travel program for individuals 55 and older; Cruise4Miles, a program offering Mileage Plus miles for purchases of cruises; and the Premier Group, a business-meeting planner. In the first quarter of 2002, the Company intends to complete the transfer of ownership of these assets to ULS.

Although ULS is responsible for member relationships, communications, and account management of Mileage Plus, United continues to be responsible for the elite frequent flyer aspects of the program, including the Premier, Premier Executive and Premier Executive 1K programs. United also retains responsibility for managing the relationship with Mileage Plus' airline partners. Mileage Plus' relationships with non-airline business partners are the sole responsibility of ULS.

In July 2001, ULS completed a tender offer for all of the outstanding stock of MyPoints.com, which is now a wholly owned subsidiary of ULS. MyPoints operates an on-line loyalty program under which registered consumers earn points by purchasing goods or services through the MyPoints.com web site from participating vendors. The consumer can then redeem the points through the web site for goods or services of participating vendors. See Note 7 "Acquisitions" in the Notes to Consolidated Financial Statements.

Mileage Plus. Mileage Plus was created to develop and retain passenger loyalty by offering awards and services to frequent travelers. Over 40 million members have enrolled in Mileage Plus since it was started in 1981. Mileage Plus members earn mileage credit for flights on United, United Express, the Star Alliance carriers and certain other airlines that participate in the program. Miles can also be earned by utilizing the goods and services of non-airline program participants, such as hotels, car rental companies, bank credit card issuers and a variety of other businesses. Mileage credits can be redeemed for free, discounted or upgrade travel and non-travel awards.

Travel awards can be redeemed at the "Standard" or "Saver" level for any unsold seat on any United flight to every destination served by United. Redemption at the "Saver" award level, however, is restricted with capacity controlled inventory, thereby limiting the use of Saver awards on certain flights.

When a travel award level is attained, a liability is recorded for the incremental costs of providing travel, based on expected redemptions. United's incremental costs include the additional costs of providing service to the award recipient, such as fuel, meal, personnel and ticketing costs, for what would otherwise be a vacant seat. The incremental costs do not include any contribution to overhead or profit. For mileage sold to other program participants prior to January 1, 2000, revenue was recognized when the miles were sold. As of January 1, 2000, a portion of revenue from the sale of mileage is deferred and recognized when the transportation is provided. See Note 1(b) "Summary of Significant Accounting Policies - Change in Accounting Principles" in the Notes to Consolidated Financial Statements.

At December 31, 2001, the estimated number of outstanding awards was approximately 11.1 million, as compared with 10.8 million at

the end of the prior year. United estimates that 9.1 million of these awards will ultimately be redeemed and, accordingly, has recorded a liability amounting to \$644 million, which includes the deferred revenue from the sale of miles to program participants. Based on historical data, the difference between the awards expected to be redeemed and the total awards outstanding arises because: (1) some awards will never be redeemed, (2) some will be redeemed for non-travel benefits, and (3) some will be redeemed on partner carriers.

In 2001, 2.0 million Mileage Plus travel awards were used on United. This number represents the number of awards for which travel was actually provided in 2001 and not the number of seats that were allocated to award travel. In 2000, 2.0 million awards were used, while 2.2 million awards were used in 1999. These awards represented 7.1% of United's total revenue passenger miles in 2001, 7.2% in 2000, and 8.7% in 1999. Passenger preference for Saver awards, which have inventory controls, keeps displacement of revenue passengers at a minimum. Travel award seats flown on United represent 70% of the total awards issued, of which 78% are used for travel within the U.S. and Canada. In addition to the awards issued for travel on United, approximately 13% of the total awards issued are used for travel on partner airlines.

Economy Plus[®]. During 2001, United began reconfiguring its fleet of three-cabin international aircraft to create Economy Plus seating, which is a reconfiguration of the first six to eleven rows of the United Economy cabins on aircraft serving the North America market. This reconfigured area provides four to five additional inches of legroom for United's Premier[®] frequent-flyers and full-fare United Economy customers, many of whom often travel in the United Economy cabin. United became the first U.S. airline to offer premium seating in the front of its economy cabin on both its North America and international flights. As part of this international reconfiguration program, United also is enhancing United Business class to offer customers an additional seven inches of legroom.

Distribution Channels. The overwhelming majority of United's airline inventory continues to be distributed through the traditional channels of travel agencies and global distribution systems ("GDS"). On October 1, 2001, United completed the sale of its approximately 18% equity interest in Galileo International to Cendant Corporation. The completion of this transaction relieves United of GDS participation obligations mandated by the Department of Transportation. This allows United the flexibility to select the GDS systems in which it wishes to participate as well as to determine the level of participation in each system. United uses the Apollo reservation system, which is hosted by Galileo International. The hosting agreement with Galileo continues through 2004.

Avolar. On May 17, 2001, UAL formed United Biz Jet Holdings, Inc. (d/b/a "Avolar"), a new business jet subsidiary consisting of Biz Jet Fractional, Inc., Biz Jet Charter, Inc. and Biz Jet Services, Inc. Avolar operates and sells fractional ownership interests in premium business aircraft and provides charter services, fleet management services and a domestic and international shuttle product.

In May 2001, UAL's Board of Directors authorized the investment of up to \$250 million in Avolar. Following the events of September 11, UAL decided to investigate options to reduce its future funding obligations, including a possible sale of a majority of Avolar to third-party investors. Avolar is now pursuing a new business plan to enable it to realize its value without additional investment from UAL or the involvement of private equity investors. In connection with this action, UAL intends to discontinue its financial commitment to Avolar effective March 31.

For additional information on Avolar, see *Other Information*, "Avolar" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Industry Conditions

Operating Environment. The air travel business is subject to seasonal fluctuations. United's operations are often adversely impacted by winter weather and United's first- and fourth-quarter results normally reflect reduced travel demand. Operating results are usually better in the second and third quarters. The events of September 11 distorted the normal seasonal relationships in 2001 and may also distort the relationships in 2002.

Competition. The airline industry is highly competitive. In domestic markets, new and existing carriers are free to initiate service on any route. United's domestic competitors include all of the other major U.S. airlines as well as regional carriers, most of which have lower cost structures than United.

In its international service, United competes not only with U.S. carriers but also with foreign carriers, including national flag carriers, which in some instances enjoy forms of governmental support not available to U.S. carriers. United's competition on specified international routes is subject to varying degrees of governmental regulations (see "Government Regulation"). United has advantages over foreign air carriers in the U.S. because of its ability to generate U.S. origin-destination traffic from its integrated domestic route systems, and because foreign carriers are prohibited by U.S. law from carrying local passengers between two points in the U.S. United experiences comparable restrictions in foreign countries.

In addition, U.S. carriers are often constrained from carrying passengers to points beyond designated international gateway cities due to limitations in air service agreements or restrictions imposed unilaterally by foreign governments. To compensate for these structural limitations, U.S. and foreign carriers have entered into alliances and marketing arrangements that allow the carriers to provide traffic feed to each other's flights. See "Marketing Strategy - Alliances."

Government Regulation

General. All carriers engaged in air transportation in the U.S. are subject to regulation by the U.S. Department of Transportation ("DOT"). The DOT has authority to: issue certificates of public convenience and necessity for domestic air transportation and, through the FAA, air-carrier operating certificates and operations specifications; authorize the provision of foreign air transportation by U.S. carriers and prohibit unjust discrimination. It also has the authority to: prescribe forms of accounts and require reports from air carriers; regulate methods

of competition, including the provision and use of computerized reservation systems; and administer regulations providing for consumer protection, including regulations governing the accessibility of air transportation facilities for handicapped individuals. United holds certificates of public convenience and necessity, as well as an air-carrier operating certificate, and therefore is subject to DOT regulations. The FAA also administers the U.S. air traffic control system and oversees aviation safety issues.

United's operations require licenses issued by the aviation authorities of the foreign countries that United serves. These authorities may from time to time impose forms and degrees of regulation that United does not face in its domestic operations. United's ability to serve some countries and its expansion into certain countries is restricted by the absence of aviation agreements between the U.S. and the relevant governments or by the restrictive terms of existing agreements. In connection with its international services, United is required to make regular filings with the DOT and in some cases to observe rules establishing the tariffs charged and service provided. In some cases, fares and schedules also require the approval of the relevant foreign governments.

Shifts in U.S. or foreign government aviation policies can lead to the alteration or termination of existing air service agreements between the U.S. and other countries. These shifts could diminish the value of United's international route authority because changes in these agreements could curtail or terminate United's international rights in the associated markets.

Airport and Airspace Access. In the immediate aftermath of the September 11 terrorist attacks, the FAA shut down U.S. airspace for three days, and United was only able to operate a portion of its scheduled flights for several days thereafter. The shut down of airspace over Washington D.C. lasted significantly longer and the federal government continues to restrict flights to and from Ronald Reagan National Airport ("National"). The number of flights United (and other carriers) is allowed to operate out of National remains below pre-September 11 levels, and flights that are operated are subject to stringent security measures. The U.S. Secretary of Transportation announced a plan in late February to restore the number of flights allowed at National to pre-September 11 levels. However, that plan will undergo scrutiny by national security agencies before moving forward.

Plans for Chicago O'Hare expansion continue to be an issue of political and legislative debate. A late 2001 political compromise makes expansion more likely in the future and diminishes the chances of flight caps, since capacity constraints at O'Hare would be eased by the expansion and reconfiguration of runways and other facilities. Slot controls, or limits on hourly take-off and landings, are scheduled to be completely phased out by July 1, 2002 under the provisions of legislation passed in 2000.

Safety. The FAA has regulatory jurisdiction over flight operations generally, including equipment, ground facilities, maintenance, communications and other matters. United's aircraft and engines are maintained in accordance with the standards and procedures recommended and approved by the manufacturers and the FAA.

From time to time, the FAA issues airworthiness directives ("ADs") that require air carriers to undertake inspections and to make modifications and improvements on aircraft, engines and related components and parts. The ADs sometimes cause United to incur substantial, unplanned expense in parts and labor as well as in aircraft out-of-service time when aircraft or engines are removed from service prematurely in order to undergo mandated inspections or modifications. The issuance of any particular AD may have a greater or lesser impact on United, compared to its competitors, depending upon the equipment covered by the directive. Civil and criminal sanctions may be assessed for not complying with ADs.

The Air Transport Association ("ATA"), an industry organization to which United belongs, and the Department of Defense ("DoD") have signed a memorandum of understanding establishing procedures for auditing international code-share partners that carry DoD personnel. Based on the DOT/FAA Safety Program Guidelines issued to all U.S. carriers, United has also established a safety review plan for Star Alliance and code-share airlines. Audits are conducted on both prospective and existing code-share partners. The FAA reviews audit reports and makes code-share approval recommendations to the DOT.

Legislation. The Air Transportation Safety and System Stabilization Act of 2001 (the "Act") made \$5 billion in federal grants and \$10 billion in loan guarantees available to the airline industry. The legislation also provides relief from increased insurance premiums, caps potential liability from the September 11 terrorist attacks, limits liability for any future terrorist events and creates a federal compensation fund for attack victims. United has received \$652 million in grants thus far and may receive additional funds under the grant portion of the Act. Although United could also access loan guarantees under the Act after fulfilling requirements of that program, the Company would prefer to reach financial stability without using the guaranteed loan from the government.

Separate legislation enacted in November 2001, the Aviation and Transportation Security Act (the "Aviation Act"), will have wide-ranging effects on United's operations. The Aviation Act makes the federal government responsible for virtually all aspects of security that United has traditionally provided. The Aviation Act creates a new Transportation Security Agency ("TSA") which assumed oversight of all aspects of aviation security, effective February 17, 2002. Notably, the Aviation Act requires that the security screener workforce be composed entirely of federal employees by November 2002. The TSA has assumed carriers' contracts with screening vendors during the transition period. The Aviation Act also requires carriers to charge passengers enplaning in the U.S. a security fee of \$2.50 per enplanement, capped at \$5.00 per round trip and to remit that fee to the DOT. The DOT is authorized to assess an additional fee, equal to the amount paid by carriers for security screening in the year 2000, directly on air carriers to compensate for the costs of screening activities and property. The Aviation Act mandates numerous additional security measures, including mandating that all checked baggage be screened by explosive detection systems by December 31, 2002. Interim measures to screen all checked baggage for explosives were implemented on January 19, 2002.

International Rights. In late January 2002, the U.K. government withdrew from negotiations with the U.S. government to reach agreement on an "open skies" aviation treaty. Adoption of an "open skies" agreement would have significantly changed the competitive dynamic in the large U.S. and U.K. aviation market.

United and other international slot holders benefited starting in late 2001 from a short-term waiver of an international rule that ordinarily requires a carrier to forfeit any slot that it uses less than 80% of the time in any season. Separately, the DOT waived through March 31,

2002 its requirement that U.S. carriers in limited-entry international markets return to the DOT frequencies in those markets that they do not use for more than 90 days.

The Commission of the European Union ("EU") continues its attempts to modify the existing regulation that governs slot allocation at EU airports. The most recent proposal, if accepted, would reinforce the bias in favor of EU airlines and would dramatically alter the manner in which EU slots are held and allocated. The proposed changes threaten to redefine the issue of slot ownership and impede the selling and trading of slots.

The EU continues its review of the United/Lufthansa/SAS alliance in order to issue an exemption from EU competition law. It formally rejected a carrier-proposed compromise and has sought additional minor concessions. Approval may be delayed until the European Court of Justice issues a ruling on the EU's pending court case against several EU Member States for their aviation treaties with the U.S. The ruling will also pave the way for the EU to negotiate aviation treaties on behalf of EU Member States with other non-EU countries.

Privacy Laws. An initiative of significant impact within the EU and elsewhere is the introduction of privacy standards that apply to companies transmitting private information from the EU to countries abroad. To comply with the privacy directives, the U.S. Commerce Department and the EU have agreed to safe harbor principles. Although the safe harbor principles are voluntary at this point, United plans to comply with them. The U.S. Commerce Department and the EU continue to review the status of voluntary compliance.

Canada, Argentina and Australia have enacted new privacy laws covering the collection and disclosure of personally identifiable information. These laws may have an impact on the way United collects and transmits personal identifiable information in these jurisdictions.

Environmental Regulations. United operates a number of underground and above-ground storage tanks throughout its system, which are used for the storage of fuels and deicing fluids. United has been identified as a Potentially Responsible Party in some state and federal recovery actions involving soil and ground water contamination. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of such contingencies and prior experience, that the ultimate disposition of these contingencies is not likely to materially affect UAL's financial condition, operating results or liquidity.

Employees - Labor Matters

As of December 31, 2001, the Company and its subsidiaries had more than 84,000 employees, of which approximately 80% are represented by various labor organizations. This number represents a significant reduction from the end of the previous year, when the Company and its subsidiaries had approximately 102,000 employees. This reduction was a direct response to the adverse impact on air travel resulting from the September 11 terrorist attacks and United furloughed approximately 20,000 employees in the last quarter of 2001. Since that time, however, due to slightly increased customer demand, and an increase to the April 2002 schedule, United plans to recall 1,200 flight attendants to active status on April 1, 2002 and to furlough fewer pilots than previously planned.

The employee groups, number of employees, labor organization and current contract status for each of United's major collective bargaining groups in the U.S., as of December 31, 2001 were as follows:

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Union</u>	<u>Contract Open for Amendment</u>
Pilots	9,373	ALPA	September 1, 2004
Flight Attendants	20,950	AFA	March 1, 2006 ¹
Mechanics & Related	13,106	IAM	July 12, 2005
Passenger Service/Ramp & Stores	24,752	IAM	July 12, 2000

¹ The collective bargaining agreement between the Company and the AFA provides for mid-term wage adjustments.

Collective bargaining agreements are negotiated under the Railway Labor Act, which governs labor relations in the transportation industry, and typically do not contain an expiration date. Instead, they specify a date called the amendable date, by which either party may notify the other of its desire to amend the agreement. Upon reaching the amendable date, the contract is considered "open for amendment." Prior to the amendable date, neither party is required to agree to modifications to the bargaining agreement. Nevertheless, nothing prevents the parties from agreeing to start negotiations or to modify the agreement in advance of the amendable date.

Contracts remain in effect while new agreements are negotiated. During the negotiating period, both the Company and the negotiating union are required to maintain the status quo.

On July 12, 2000, the Company's contracts with the IAM became amendable. The Company has been in negotiations with both IAM District 141M (representing mechanics) and 141 (representing public contact, ramp & stores, food services, and securityemployees) since December 1999 for new contracts. Since September 2000, the negotiations have been conducted with the assistance of the National Mediation Board ("NMB"). Under the terms of the Railway Labor Act, United's current agreements with the IAM remain in effect as negotiations continue.

On November 19, 2001, the NMB released both parties in the mechanics negotiations from mediation and offered both sides binding arbitration, which was accepted by United but declined by the IAM, effectively beginning a 30-day "cooling-off period," which could have resulted in a strike in December. Instead, on December 20, 2001, President Bush appointed a Presidential Emergency Board ("PEB") as permitted by the Railway Labor Act. The PEB was to study the issues between the parties and recommend a solution. The PEB also postponed a possible strike for 60 days. On January 20, 2002, the PEB presented its recommendations to the Company and the IAM which included immediate pay increases for United's mechanics, as well as payment of retroactive wages to July 12, 2000. United accepted the recommendations of the PEB and the IAM submitted them to its membership for ratification. However, on February 12, the mechanics rejected the proposed recommendations and authorized a strike. United and the IAM reconvened negotiations and reached a tentative agreement on February 18, 2002. On March 5, 2002, the IAM ratified this tentative agreement, which contains improvements over the PEB-recommended proposal, including payment of retroactive wages in eight equal quarterly installments, including 6% interest, commencing December 2002. The new contract will not become amendable until July 12, 2005.

Mediated negotiations with IAM District 141 are continuing.

As part of the Company's financial recovery plan, the Company is also working with the unions and other employee groups to find further labor savings.

For additional information on the IAM contract and the financial recovery plan, see *Other Information*, "Labor Agreements" and "Financial Recovery Plan" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Corporate Governance and the ESOPs

Background. In July 1994, the stockholders of UAL approved a plan of recapitalization that provided an approximately 55% equity and voting interest in UAL to certain employees of United, in exchange for wage concessions and work-rule changes. The employees' equity interest was allocated to individual employee accounts through the year 2000 under the Employee Stock Ownership Plans ("ESOPs") created as part of the recapitalization. The entire ESOP voting interest is voted by the ESOP trustee at the direction of, and on behalf of, the employees participating in the ESOPs.

As part of the recapitalization, the Company's stockholders approved an elaborate governance structure, which is contained principally in the Company's Restated Certificate of Incorporation ("UAL Charter") and the ESOPs. Among other matters, the UAL Charter provides that the Company's Board of Directors is to consist of five public directors, four independent directors and three employee directors that are appointed by different classes of stockholders. See the Company's Proxy Statement for its Annual Meeting of Stockholders for information concerning the processes for electing the directors and for Board committee requirements. A number of special stockholder and Board voting requirements were also established, as summarized below.

For further background information and a description of the ESOP preferred stocks, see Note 3 "Employee Stock Ownership Plans and Recapitalization" and Note 15 "ESOP Preferred Stock" in the Notes to Consolidated Financial Statements.

Special Voting. In specified circumstances ("Extraordinary Matters"), actions by UAL or United require approval of either (a) 75% of the entire Board, including at least one union director, or (b) 75% of the voting stock present at a stockholder meeting. "Extraordinary Matters" include specified business transactions outside the ordinary course of business, significant asset dispositions and most issuances of equity securities. Most issuances of equity securities are also subject to a first refusal agreement in favor of employees participating in the ESOPs.

Other special voting requirements apply to amendments to the UAL Charter and specified bylaws, repurchases of common stock, stock sales to employee benefit plans, and business transactions with labor. The special voting rights referred to in the previous paragraph will continue until "Sunset" (defined below), at which time the corporate governance section will convert to a more traditional form, providing for nine public directors and three employee directors.

In the case of a merger or Control Transaction (defined below) that involves an Uninstructed Trustee Action (defined below), any required stockholder approval must also include at least a majority of the votes represented by all outstanding shares of the Director Preferred Stocks (defined below), UAL common stock and such other classes and series of stock that vote together with the common stock as a single class ("Single Class Voting").

"Sunset." The Voting Preferred Stock outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than the election of members of the Board of Directors. The Voting Preferred Stock will generally continue to represent approximately 55% of the aggregate voting power until Sunset, even though the common stock issuable upon conversion of the ESOP stock may represent more or less than 55% of the fully diluted common stock of UAL. Sunset will occur when the common shares issuable upon conversion of Class 1 and Class 2 ESOP convertible preferred stock, plus any common equity (generally common stock issued or issuable at the time of the recapitalization) held by any other Company sponsored employee benefit plan, plus any available unissued ESOP shares held in the ESOPs, equal, in the aggregate, less than 20% of the common equity and available unissued ESOP shares of UAL. For purposes of measuring the Sunset, employee ownership was approximately 64.06% at December 31, 2001.

Control Transactions. A "Control Transaction" is a tender or exchange offer, or other opportunity to dispose of or convert at least 3% of UAL common stock, Class 1 and Class 2 ESOP convertible preferred stock into common stock, and Voting Preferred Stock, or any transaction or series of related transactions in which any person or group acquires or seeks to acquire control of UAL or of all or substantially all of the assets of UAL and its subsidiaries. In a Control Transaction, ESOP participants are entitled to instruct the ESOP trustee as to whether to tender, sell, convert or otherwise dispose of shares allocated to their accounts under the ESOP. Shares held by the Supplemental ESOP will be tendered or directed by the Supplemental ESOP Committee.

If a Control Transaction results in the sale or exchange of any shares held by the ESOPs, the proceeds will be used to acquire, to the extent possible, shares of common stock (or preferred stock that is convertible into common stock) that qualify as "employer securities" as defined in Internal Revenue Code Section 409(l). If UAL shares do not qualify as "employer securities," then the shares must be "employer securities" of a public company having a Moody's senior long-term debt rating at least as good as that of UAL and United at that time. If these securities cannot be acquired, then UAL, ALPA and the IAM will make appropriate arrangements reasonably satisfactory to the unions to protect the interests of the participants.

Uninstructed Trustee Actions. An uninstructed trustee action refers to situations in which the ESOP trustee adopts a course of action without obtaining instructions from the ESOP participants, or disregards their instructions, including situations involving Control Transactions. Under specific circumstances, this action can cause the Voting Preferred Stocks to be converted into UAL common stock, with the special voting rights of these shares transferring to the Director Preferred Stocks (defined as Class Pilot MEC, IAM, and SAM junior preferred stock) in the following approximate percentages: to the holder of the Class Pilot MEC Preferred Stock, 46.23%; to the holder of the Class IAM Preferred Stock, 37.13%; and to the holders of the Class SAM Preferred Stock, 16.64%. The Director Preferred Stocks will continue to hold the Single Class Voting Rights until Sunset, or if Sunset occurs because of, or within one year of, an uninstructed trustee action, July 12, 2010.

Specific circumstances that give rise to a transfer of voting rights include:

(1) The ESOP trustee fails to solicit timely instructions or fails to act in accordance with these instructions (see below for reasons), with respect to the following:

(a) But for the transfer of voting rights, a stockholders vote would have been sufficient to approve a merger or Control Transaction involving UAL or United, or if no vote is required, the ESOP trustee enters into a binding commitment in connection with a Control Transaction; or

(b) the ESOP trustee disposes of 10% or more of the common equity represented by the Class 1 and Class 2 ESOP Preferred Stock (other than in connection with the usual distribution or diversification under the ESOP).

(2) In addition, one of the following circumstances must be present:

(a) the transaction would not have been approved if the trustee had solicited and/or followed the instructions;

(b) no timely solicitation of instructions occurs, and the matter would not have been approved had the ESOP trustee cast all its votes against the matter; or

(c) the matter does not require a stockholder vote to approve the transaction.

An ESOP trustee's disregard of instructions gives rise to an uninstructed trustee action only when the failure to follow the instructions is attributable to (1) the trustee's conclusion that its fiduciary responsibilities require the trustee to not follow the instructions or (2) the ESOP provisions relating to soliciting are unenforceable.

This section is intended as a general summary and is qualified in its entirety by reference to the UAL Charter, the Stockholders' Agreements, the First Refusal Agreement, the ESOPs and the other exhibits to this Form 10-K.

ITEM 2. PROPERTIES.

Flight Equipment

As of December 31, 2001, United's operating aircraft fleet totaled 543 jet aircraft, of which 243 were owned and 300 were leased. All of United's operating aircraft fleet are in active use. These aircraft are listed below:

<u>Aircraft Type</u>	<u>Average No. of Seats</u>	<u>Owned</u>	<u>Leased¹</u>	<u>Total</u>	<u>Average Age (Years)</u>
A319-100	120	29	18	47	2

A320-200	138	37	49	86	4
B737-300	120	10	91	101	13
B737-500	104	30	27	57	10
B747-400	347	23	21	44	7
B757-200	182	42	55	97	10
B767-200	168	18	0	18	19
B767-300	219	17	20	37	7
B777-200	288	<u>37</u>	<u>19</u>	<u>56</u>	4
Total Operating Fleet		<u>243</u>	<u>300</u>	<u>543</u>	8

¹United's aircraft leases have initial terms of 10 to 26 years, and expiration dates range from 2002 through 2020. Under the terms of all leases, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others at fair market value or a percentage of cost.

As of December 31, 2001, 127 of the 243 aircraft owned by United were encumbered under debt agreements. For additional information on accounting for these aircraft see Note 11 "Long-Term Debt" and Note 12 "Lease Obligations" in the Notes to Consolidated Financial Statements.

The following table sets forth United's firm aircraft orders and expected delivery schedules as of December 31, 2001.

<u>Aircraft Type</u>	<u>2002</u>	<u>2003</u>	<u>2004 and Beyond</u>	<u>Total</u>
A319-100	8	0	21	29
A320-200	12	0	21	33
B777-200	<u>4</u>	<u>0</u>	<u>1</u>	<u>5</u>
Total	<u>24</u>	<u>0</u>	<u>43</u>	<u>67</u>

Ground Facilities

United has entered into various leases relating to its use of airport landing areas, gates, hangar sites, terminal buildings and other airport facilities in most of the municipalities it serves. Major leases expire at Chicago O'Hare in 2018, Los Angeles in 2021, San Francisco in 2011, and Washington-Dulles in 2014. United also has leased ticketing, sales and general office space in the downtown and outlying areas of most of the larger cities in its system. In suburban Chicago, United owns a 106-acre complex consisting of more than 1,000,000 square feet of office space for its world headquarters, a computer facility and a training center. In December 2001, United entered a mortgage on the training center in the amount of \$12.3 million to collateralize surety bonds related to the Company's self-insured workers' compensation program.

United's Maintenance Operation Center ("MOC") at San Francisco International Airport occupies 129 acres of land, 3,000,000 square feet of floor space and 12 aircraft hangar docks under a lease expiring in 2003, with an option to extend for 10 years. United's Indianapolis Maintenance Center, a major aircraft maintenance and overhaul facility, is operated under a lease with the Indianapolis Airport Authority that expires in 2031. The Indianapolis Maintenance Center occupies 300 acres of land, 1,690,000 square feet of floor space and 12 aircraft hangar docks. United also has a major facility at the Oakland, California airport, dedicated to widebody airframe maintenance. The Oakland facility occupies 44 acres of land, 380,000 square feet of floor space and has 4 aircraft hangar docks.

At Denver International Airport, United operates under a lease and use agreement expiring in 2025, and occupies 52 gates and more than 1,000,000 square feet of exclusive or preferential use terminal building space. United's flight training center, located in the City and County of Denver, can accommodate 36 flight simulators and more than 90 computer-based training stations.

ITEM 3. LEGAL PROCEEDINGS.

Frank, et al. v. United; EEOC v. United

As previously reported in our Form 10-Q for the period ended March 31, 2001, a class action lawsuit against United was filed February 7, 1992 in federal district court in California, alleging that United's former flight attendant weight program, in effect from 1989 to 1994,

unlawfully discriminated against flight attendants on the grounds of sex, age and other factors, and seeking monetary relief. On April 29, 1994, the class was certified as to the sex and age claims. Following extensive motion practice, on March 10, 1998, the district court dismissed all the claims against United. Following an appeal to the U.S. Court of Appeals for the Ninth Circuit, a three judge panel of the Ninth Circuit, on June 21, 2000, overturned the ruling. The court ruled that the plaintiffs were entitled to judgment as a matter of law on their claims for discrimination based on sex and that a trial was required for determination on their claims for age discrimination. In addition, the appellate court reversed the dismissal of all individual class representative claims of discrimination and the case was remanded to the district court for further proceedings. United's petition for en banc review by an 11-judge panel was denied on August 11, 2000. On December 8, 2000, United petitioned for a review of the Ninth Circuit decision by the U.S. Supreme Court, but that petition was denied on March 5, 2001. In accordance with the appellate court ruling, the case will go back to the district court for further proceedings with respect to the age discrimination claims and for a determination of damages with respect to the sex discrimination claims. Recently the district court ruled out punitive damages as a matter of law.

Hall d.b.a. Travel Specialists v. United

Following the reduction by United (and other carriers) in November 1999 of base commission rates payable to travel agents from 8% to 5%, a North Carolina travel agent filed a putative class action lawsuit against United (and other carriers) in state court. The carriers removed the lawsuit to federal court in North Carolina. Thereafter, the plaintiff voluntarily dismissed and re-filed the lawsuit in federal court on June 21, 2000. The new putative class action complaint alleged that United and the other carrier-defendants had conspired to fix travel agent commissions in violation of the Sherman Act and sought treble damages and injunctive relief. The carriers filed a motion to dismiss this suit, which the court denied. On July 12, 2001, plaintiff moved to amend its complaint by joining five new travel agency defendants, the Association of Retail Travel Agents ("ARTA"), and eight new carrier defendants. The plaintiff also sought to add claims relating to the carriers' reduction of travel agent base commissions from 10% to 8% in 1997 and the 1998 imposition of caps on commissions payable on international air travel. In November 2001, the court granted the motion allowing the addition of the new parties and claims. A second amended complaint was filed on January 30, 2002 adding a claim related to the 2001 reduction of domestic air travel commission caps. Discovery has commenced and the case is currently set for trial in September 2002.

Litigation Associated with September 11 Terrorism

As of December 31, 2001, one lawsuit had been served on United in the U.S. District Court for the Southern District of New York related to the September 11 terrorist attacks. That suit, entitled Ellen Mariani v. United Air Lines, Inc., Case Number 01 CIV 11628, is a wrongful death suit filed by the widow of one of the 58 passengers who were aboard United Flight 175 when terrorists hijacked the aircraft and flew it into The World Trade Center, killing all aboard and many more on the ground. The complaint alleges that United breached its duty of care to the passengers and that breach caused the hijacking and subsequent death of the late Mr. Louis Mariani. Under federal law, liability on such claims will be limited to the amount of United's insurance coverage. United anticipates the filing of other lawsuits related to the September 11 attacks in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders of the Company during the fourth quarter of 2001.

Executive Officers of the Registrant

Information regarding the executive officers of the Company is as follows:

Frederic F. Brace. Age 44. Mr. Brace has been Senior Vice President and Chief Financial Officer of the Company and United since September 2001. From July 1999 until September 2001, Mr. Brace had served as United's Senior Vice President - Finance and Treasurer. From February 1998 through July 1999, he served as Vice President - Finance of United and from May of 1995 until February of 1998 as Vice President - Financial Analysis and Controller.

John W. Creighton, Jr. Age 69. Mr. Creighton has been Chairman and Chief Executive Officer of the Company and United since October 2001. Mr. Creighton has served as a director of United since 1998. From January 2001 until November 2001, he served as Chairman of Unocal Corporation. He is also the retired Chief Executive Officer of Weyerhaeuser Company since December 1997. From December 1997 until April 1998, he served as director of the Weyerhaeuser Company.

Rono Dutta. Age 50. Mr. Dutta has been President of the Company and United since July 1999. Prior to his current position, he served as Senior Vice President - Planning of United from November 1994 until July 1999.

Francesca M. Maher. Age 44. Ms. Maher has been Senior Vice President, General Counsel and Secretary of the Company and United since October 1998. From June 1997 until October 1998, she was Vice President, General Counsel and Secretary of the Company and United. Previously, she was Vice President - Law and Corporate Secretary of the Company and Vice President - Law, Deputy General Counsel and Corporate Secretary of United.

Andrew P. Studdert. Age 45. Mr. Studdert has been Executive Vice President and Chief Operating Officer of the Company and of United since July 1999. Prior to his current position, he served as Senior Vice President - Fleet Operations of United from August 1997. He served as Senior Vice President and Chief Information Officer of United from April 1995 to August 1997.

There are no family relationships among the executive officers of the Company. The executive officers of the Company serve at the discretion of the Board of Directors.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock, \$.01 par value (the "Common Stock"), is traded principally on the New York Stock Exchange (the "NYSE") under the symbol UAL, and is also listed on the Chicago Stock Exchange and the Pacific Stock Exchange. The following sets forth for the periods indicated the high and low sales prices and dividends paid per share of the Company's Common Stock on the NYSE Composite Tape.

	<u>High</u>	<u>Low</u>	<u>Dividends Paid</u>
2001:			
1st quarter	\$ 45.50	\$ 30.50	\$.3125
2nd quarter	38.50	30.50	.3125
3rd quarter	36.54	16.22	.05
4th quarter	20.10	9.40	none
2000:			
1st quarter	\$ 79	\$ 45 3/4	none
2nd quarter	65 1/8	49	\$.3125
3rd quarter	61 5/8	40 1/4	.3125
4th quarter	43 15/16	34 1/16	.3125

The payment of any future dividends on the Common Stock and the amount thereof will be determined by the Board of Directors of the Company based on earnings, the financial condition of the Company and other relevant factors.

On February 28, 2002, based on reports by the Company's transfer agent for the Common Stock, there were 26,047 common stockholders of record.

ITEM 6. SELECTED FINANCIAL DATA AND OPERATING STATISTICS.

(In Millions, Except Per Share and Rates)

	<u>Year Ended December 31</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>Income Statement Data:</u>					
Operating revenues	\$ 16,138	\$ 19,352	\$ 18,027	\$ 17,561	\$ 17,378
Earnings (loss) before extraordinary item					
and cumulative effect	(2,137)	265	1,238	821	958
Net earnings (loss)	(2,145)	50	1,235	821	949
Per share amounts, diluted:					
Earnings (loss) before extraordinary					
item and cumulative effect	(39.90)	1.89	9.97	6.83	9.04
Net earnings (loss)	(40.04)	0.04	9.94	6.83	8.95
Cash dividends declared per common share	0.36	1.25	-	-	-
<u>Pro Forma Income Statement Data</u> ¹ :					
Earnings before extraordinary item	na	na	\$ 1,209	\$ 774	\$ 931
Net earnings	na	na	1,206	774	922

Per share amounts, diluted:

Earnings before extraordinary item	na	na	9.71	6.38	8.76
Net earnings	na	na	9.68	6.38	8.67

Other Information:

Total assets at year-end	\$ 25,197	\$ 24,355	\$ 20,963	\$ 18,559	\$ 15,464
Long-term debt and capital lease obligations, including current portion, and redeemable preferred stock	10,117	7,487	5,369	5,345	4,278
Revenue passengers	75	85	87	87	84
Revenue passenger miles	116,635	126,933	125,465	124,609	121,426
Available seat miles	164,849	175,485	176,686	174,008	169,110
Passenger load factor	70.8%	72.3%	71.0%	71.6%	71.8%
Breakeven passenger load factor	90.1%	69.4%	64.9%	64.9%	66.0%
Passenger revenue per passenger mile	11.7¢	13.3¢	12.5¢	12.4¢	12.6¢
Operating revenue per available seat mile	9.8¢	11.0¢	10.2¢	10.1¢	10.3¢
Operating expense per available seat mile	12.0¢	10.6¢	9.4¢	9.2¢	9.5¢
Fuel gallons consumed	2,861	3,101	3,065	3,029	2,964
Average price per gallon of jet fuel, including tax	86.5¢	81.0¢	57.9¢	59.0¢	69.5¢

¹ The pro forma income statement amount reflect adjustments to the historical income statement data assuming the Company had adopted the provisions of Staff Accounting Bulletin 101 ("SAB 101") in prior periods. (See Note 1(b) "Summary of Significant Accounting Policies - Changes in Accounting Principles" in the Notes to Consolidated Financial Statements.)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This section contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are identified with an asterisk (*). Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10K. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could significantly impact the expected results referenced in the forward-looking statements are listed in the last paragraph of the section, "Outlook for 2002."

September 11 Terrorist Attacks

On September 11, 2001, two United aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and in a crash near Johnstown, Pennsylvania. On the same day, two American Airlines aircraft were also hijacked and used in terrorist attacks on The World Trade Center and the Pentagon. In addition to the loss of all passengers and crew on board the aircraft, these attacks resulted in numerous deaths and injuries to persons on the ground and massive property damage. In the immediate aftermath of the attacks, the FAA ordered all aircraft operating in the U.S. grounded immediately. This grounding effectively lasted for three days, and the Company was able to operate only a portion of its scheduled flights for several days thereafter. Passenger traffic and yields on the Company's flights declined significantly when flights were permitted to resume, and the Company refunded significant numbers of tickets for the period from September 11 to September 25. Since that time, the Company has experienced significantly reduced revenue and negative cash flows as compared to its forecasts made prior to September 11, 2001. Although domestic and international load factors on the Company's flights are gradually increasing to levels similar to what it experienced prior to September 11 (although on significantly less capacity), yields remain at unusually low levels.

In a direct response to the adverse impact on air travel as a result of the terrorist attacks, United has reduced its capacity by 23% based on system-wide available seat miles compared to levels prior to September 11. This schedule reduction allowed for the retirement of the entire B727-200 and B737-200 fleets, effective November 1, 2001. On September 19, United announced that it would furlough approximately 20,000 employees. Additionally, United has converted six stations to United Express and announced the closing of five reservations offices in 2002. During the fourth quarter 2001, United restructured its aircraft delivery program with both Boeing and Airbus Industrie to defer deliveries of new aircraft for 2002 and 2003 from the 67 originally planned to 24 aircraft. United will only take delivery of 24 of 49 aircraft scheduled for the year 2002 and none of the 18 aircraft scheduled for 2003. This action reduced planned capital spending by 50% for 2002 to \$1.2 billion. The remaining 43 aircraft have been deferred into 2004 and beyond. United's future schedule will vary as the Company reacts to continuing changes in demand and yields, as well as normal factors such as seasonality and fleet composition.

On September 22, 2001, the President signed the Air Transportation Safety and System Stabilization Act (the "Act"). The Act is intended to compensate victims of the terrorist attacks as well as air carriers for losses incurred as a result of such attacks. Among other things, the Act provides: (1) for the payment of an aggregate of \$5 billion to air carriers for losses incurred as a result of the ground stop order issued on September 11 and incremental losses incurred by air carriers through December 31, 2001 as a direct result of the terrorist attacks; (2) that the liability of any air carrier, including United, for all claims arising out of the terrorist attacks will not be greater than the limits of the liability coverage maintained by that carrier; (3) for the issuance of loan guarantees of up to an aggregate of \$10 billion in debt of air carriers; (4) for the authority of the Secretary of Transportation to reimburse air carriers for the increase in insurance premiums for coverage through October 1, 2002 and, at the discretion of the Secretary of Transportation, to limit the liability of U.S. air carriers for acts of terrorism committed during a 180-day period following the date of the Act; (5) for a compensation program for victims and their relatives; (6) for an extension of the due date for payment of excise and payroll taxes by U.S. air carriers; and (7) that communities that had air service prior to September 11 will continue to receive adequate air service.

The Company anticipates that its liability from claims arising from the events of September 11, 2001 will be significant, after considering the liability protections provided for by the Act; however, the Company expects that any amounts paid on such claims will be borne by its insurance carriers as claims are resolved and, in any event, the Company believes that, under the Act, its liability will be limited to the amount of its insurance coverage.

United's war risk liability insurance for losses resulting from war perils (terrorism, sabotage, hijacking and other similar perils) was cancelled effective September 26, 2001. United obtained replacement coverage, although it is being charged significantly higher premiums for this replacement coverage, and this new coverage is in a substantially reduced amount for claims not involving aircraft passengers. The FAA is providing excess liability coverage for third party war risk liability for losses to persons other than passengers up to two times the airline's limit of liability available prior to September 11, 2001 for renewable periods up to a year at a time. United's coverage under this FAA policy has been renewed through March 20, 2002, and is likely to be renewed further, subject to the federal government's determination that such coverage is necessary to the national interest.

In addition, United maintains hull war risk insurance which is worldwide, excluding certain countries. This coverage is for war and associated perils, including hijacking and confiscation. United experienced a significantly higher premium for reduced coverage due to the events of September 11.

As of December 31, 2001, United had received \$652 million in compensation under the Act. This amount is recorded as non-operating income in the Statements of Consolidated Operations. For further discussion of the impact of the attacks and the Act on the Company's financial statements, see Note 2 "Special Charges Related to the September 11 Terrorist Attacks" in the Notes to Consolidated Financial Statements.

Results of Operations

Summary of Results -

During early 2001, the weakening U.S. economy had a significant impact on the airline industry as corporations reduced their business travel budgets and changed their travel behavior. During the first six months of the year, the industry experienced a significant revenue decline as a result of the decrease in business traffic, which impacted both unit revenues and yields, particularly in the domestic markets. Airline industry domestic unit revenues, as reported to the ATA, declined by 12% to 13% in each of the months from May through August, respectively. United, due to its significant reliance on high-yield business traffic, was disproportionately affected during this period.

In addition, United's revenues, yield, revenue passenger miles and available passenger miles were significantly impacted by the events of September 11 and the resulting reduction in the Company's operations. The Company estimates that the September 11 terrorist attacks negatively impacted the Company's revenues by approximately \$1.7 billion.

During 2000, the Company experienced significant operational disruptions, as a result of labor-related delays and cancellations, as well as weather and air traffic control limitations, which adversely affected both revenue and expense performance. The Company attempted to mitigate the impact of these operational difficulties by reducing capacity, particularly in the domestic markets, where most of the problems were concentrated. The Company estimated the revenue shortfall arising from these disruptions and associated schedule reductions and cancellations to be somewhere between \$700 and \$750 million for the year.

UAL's loss from operations was \$(3.8) billion in 2001, compared to operating earnings of \$654 million in 2000. UAL's net loss for 2001 was \$(2.1) billion (\$(39.90) per share) before the cumulative effect of an accounting change, compared to 2000 net earnings before the cumulative effect of an accounting change and an extraordinary loss on debt of \$265 million (\$1.89 per share, diluted).

During 2001, United recorded a special charge of \$834 million, net of tax, in operating expense and \$31 million, net of tax, in non-operating expense for amounts relating to the September 11 terrorist attacks and the resulting impact on the Company's schedule and operations. In addition, through December 31, United has recognized \$652 million (pre-tax) in non-operating income as compensation under the Act. (See Note 2 "Special Charges Related to the September 11 Terrorist Attacks" in the Notes to Consolidated Financial Statements.)

Also during 2001, UAL recognized a special charge of \$74 million, net of tax, for costs associated with a terminated merger with US Airways Group, Inc., including a \$50 million termination fee. In addition, the Company recorded a gain of \$166 million, net of tax, on the sale of certain investments, as further described in Note 6 "Investments" in the Notes to Consolidated Financial Statements.

The 2000 earnings include a special charge of \$88 million, net of tax, relating to asset retirements, losses on leased equipment and

write-downs on non-operating equipment, as well as an impairment loss of \$38 million, net of tax, related to the Company's equity investment in Priceline.com. In addition, the 2000 earnings include an extraordinary loss of \$6 million, net of tax, on early extinguishment of debt and the cumulative effect of a change in accounting principle of \$209 million, net of tax.

The 1999 earnings include an extraordinary loss of \$3 million, net of tax, on early extinguishment of debt and a gain of \$468 million, net of tax, on the sale of certain of the Company's investments, as further described in Note 6 "Investments" in the Notes to Consolidated Financial Statements.

2001 Compared with 2000 -

Operating Revenues. Operating revenues decreased \$3.2 billion (17%) and United's revenue per available seat mile (unit revenue) decreased 11% to 9.76 cents. Passenger revenues decreased \$3.1 billion (19%) due to an 8% decrease in revenue passenger miles and an 11% decrease in yield to 11.74 cents. United's available seat miles across the system decreased 6% from 2000 which, combined with the decrease in revenue passenger miles, resulted in a decrease to passenger load factor of 1.5 points to 70.8%. The following analysis by market is based on information reported to the DOT:

	Increase (Decrease)		
	<u>Available Seat Miles (Capacity)</u>	<u>Revenue Passenger Miles (Traffic)</u>	<u>Revenue Per Revenue Passenger Mile (Yield)</u>
Domestic	(8%)	(10%)	(11%)
Pacific	(4%)	(6%)	(13%)
Atlantic	2%	(2%)	(11%)
Latin America	(10%)	(12%)	(6%)
System	(6%)	(8%)	(11%)

Cargo revenues decreased \$227 million (24%) due to a 24% decrease in cargo ton miles largely as a result of the September 11 terrorist attacks, as well as the discontinuation of freighter operations in the fourth quarter 2000. Other operating revenues grew \$157 million (11%) primarily due to a \$161 million increase in fuel sales to third parties.

Operating Expenses. Operating expenses decreased \$78 million (0.4%) and United's cost per available seat mile (unit cost) increased 6%, from 10.58 cents to 11.24 cents, excluding special charges. Salaries and related costs increased \$203 million (3%) due to routine annual salary increases for non-contract employees, contractually-driven increases for employees represented by the Air Line Pilots Association, International ("ALPA") and the estimated costs of contracts with the International Association of Machinists and Aerospace Workers ("IAM"), which were partially offset by the reduction in force implemented after September 11. Commissions decreased \$315 million (31%) as a result of a decrease in commissionable revenues and a change to the commission structure implemented in August 2001, which reduced the cap paid on commissions issued in the U.S. for domestic travel from \$50 for a round-trip ticket (\$25 for a one-way ticket) to \$20 and \$10, respectively. Aircraft rent decreased \$61 million (7%) as the retirement of older aircraft reduced the number of aircraft under operating leases. Landing fees and other rent increased \$50 million (5%) primarily due to increased rates at various airports. Depreciation and amortization increased \$38 million (4%) due to an increase in the number of owned aircraft. Cost of sales increased \$219 million (21%) primarily due to costs associated with fuel sales to third parties.

Other non-operating expense amounted to \$450 million in 2001 compared to \$271 million in 2000, excluding special charges, gains on sales and the airline stabilization grant. Interest expense increased \$123 million (31%) as a result of new debt issuances. Equity in losses of affiliates increased \$11 million (92%) primarily due to losses recorded for the Company's investment in Orbitz.

2000 Compared with 1999 -

Operating Revenues. Operating revenues increased \$1.3 billion (7%) and United's revenue per available seat mile (unit revenue) increased 8% to 11.02 cents. Passenger revenues increased \$1.1 billion (7%) primarily due to a 6% increase in yield to 13.25 cents. United's revenue passenger miles increased 1%, while available seat miles decreased 1%, resulting in a passenger load factor increase of 1.3 points to 72.3%. The decrease in available seat miles reflects the Company's response to the operational difficulties experienced in 2000 as well as the impact of Economy Plus. The following analysis by market is based on information reported to the DOT:

	Increase (Decrease)		
	<u>Available Seat Miles (Capacity)</u>	<u>Revenue Passenger Miles (Traffic)</u>	<u>Revenue Per Revenue Passenger Mile (Yield)</u>
North America	(4%)	(3%)	7%
Pacific	10%	11%	7%
Atlantic	6%	6%	8%
Latin America	(10%)	(1%)	4%
System	(1%)	1%	6%

Cargo revenues increased \$25 million (3%) on increased freight ton miles of 3%, as freight yields remained constant and mail yields increased 1%. Other operating revenues increased \$152 million (11%) primarily due to increased fuel sales to third parties and additional revenues from operating agreements with Galileo International, Inc. ("Galileo"), offset by the decrease in other revenues related to the change in accounting for Mileage Plus sale of miles to third parties (see Note 1(b) "Summary of Significant Accounting Policies - Changes in Accounting Principles" in the Notes to Consolidated Financial Statements).

Operating Expenses. Operating expenses increased \$2.1 billion (12%) and United's cost per available seat mile increased 13% from 9.41 to 10.63 cents. Salaries and related costs increased \$451 million (7%) due to a new salary program implemented for non-contract employees, the impact of the new ALPA contract which became amendable in April 2000 and was ratified in October 2000, and the estimated costs of IAM contracts which became amendable in July 2000 and were ratified in March 2002. This increase was offset by a decrease in ESOP compensation expense of approximately \$600 million due to the end of the ESOP allocation period. Aircraft fuel increased \$735 million (41%) due to a 40% increase in the cost of fuel to 81.0 cents per gallon. Commissions decreased \$114 million (10%) due to a change in the commission structure implemented in the fourth quarter of 1999. Purchased services increased \$136 million (9%) due to increases in computer reservations fees and credit card discount fees. Depreciation and amortization increased \$138 million (16%) due to an increase in the number of owned aircraft and losses on disposition of aircraft and other equipment. Cost of sales increased \$459 million (76%) primarily due to costs associated with fuel sales to third parties.

Other Income and Expense. Other non-operating expense amounted to \$271 million in 2000 compared to \$180 million in 1999, excluding gains on sales and non-operating special charges. Interest expense increased \$40 million (11%) due to increased debt issuances in 2000. Interest income increased \$33 million (49%) due to higher investment balances.

Financial Recovery Plan*-

During the fourth quarter 2001, the Company began implementing a financial recovery plan that includes four planks: reducing the size of the airline and cutting capital and operating spending in line with that reduction, generating as much revenue as possible from each flight, working with the unions and other employee groups to find further labor savings and implementing a financing plan to support the Company through the execution of the Financial Recovery Plan.

Subsequent to the events of September 11, United began the process of reducing spending by pulling down the schedule, furloughing employees, closing stations and reservations offices and deferring aircraft orders, as described above in "September 11 Terrorist Attacks."

Through these actions the Company has dramatically reduced its operating cash outflows. During the month of October 2001, UAL's cash burn rate was approximately \$15 million per day; the Company's average cash burn for the entire fourth quarter was approximately \$10 million per day. UAL continues to see improvements in cash burn as revenue trends are improving and cost containment is ongoing.

As a result of recent aircraft retirements and the addition of newer aircraft, United has one of the world's youngest and most efficient operating fleets. The retirements also reduced the number of fleet types to five, which significantly improves efficiency in maintenance, crew training and scheduling. Planned capital spending for 2002 has been reduced by 50% to \$1.2 billion as a result of the aircraft deferrals and cancelling non-essential capital projects. In addition, capital spending for 2003 has been reduced significantly due to the fact that the Company will not take delivery of any aircraft in 2003.

In October 2001, management had a series of informational meetings with the leadership of United's six unions to give them a financial assessment and to provide further access to the Company's operational and financial results. On an ongoing basis, United continues to answer their questions and work with the unions to find creative solutions that move the Company toward financial stability. The Company believes that it must reduce labor costs, as well as other operating costs, in order to stabilize United's financial situation in the current industry environment and position United to participate in an industry revenue recovery. The settlement of open contracts as discussed in the "Labor Agreements" section is an important step towards achieving participation by all union groups in a program to reduce operating costs.

While UAL is in the process of developing a complete financing plan, the Company has identified various possible sources of financing, including, but not limited to: (1) receipt of the final installment of grant money under the Act; (2) receipt of \$113 million held in trust under a services agreement with Galileo (see Note 6 "Investments" in the Notes to Consolidated Financial Statements); (3) various types of secured debt financings, including committed back-stop financing from aircraft manufacturers; (4) sale-leaseback transactions of owned property, including aircraft and other equipment; (5) securitization of future operating receipts; (6) unsecured borrowings and equity issuances; and (7) federal loan guarantees as provided under the Act. However, there is no assurance that any or all of these financing sources will be available at all times or at terms satisfactory to the Company.

Finally, the Company is exploring various initiatives to increase revenue, including reviewing pricing strategies, the management of inventory internally and profitable enhancements to service and product offerings. For example, United has announced plans to add an additional 127 daily departures in April over the current schedule.

These efforts have resulted in a gradual improvement in unit revenue since the events of September 11, with year-over-year declines in unit revenue of 29%, 23% and 20%, respectively for October, November and December 2001. The Company expects unit revenue for January 2002 to be only 15% to 17% below last year's levels.

Liquidity and Capital Resources

Liquidity -

UAL's total of cash and cash equivalents and short-term investments was \$2.6 billion at December 31, 2001, compared to \$2.3 billion

at December 31, 2000. Operating activities during the year used \$160 million, including the effects of the grant received from the federal government.

Property additions, including aircraft, aircraft spare parts, facilities and ground equipment, amounted to \$2.0 billion, while property dispositions resulted in proceeds of \$178 million. In 2001, United took delivery of fifteen A319, eighteen A320, two B767 and eight B777 aircraft. All of these aircraft were purchased. One of the aircraft purchased was sold and then leased back under an operating lease. In addition, United acquired three B737 and two B757 off lease during the year and retired its remaining DC10-30 fleet and all of its B727 and B737-200 fleets.

Financing activities included the issuance of \$1.5 billion in equipment trust certificates, as well as principal payments under debt and capital lease obligations of \$176 million and \$289 million, respectively. Additionally, UAL issued \$1.0 billion in long-term debt during the period to finance the acquisition of aircraft. As of December 31, 2001, the Company has borrowed \$133 million under a separate short-term borrowing facility and pledged receivables of approximately \$145 million. UAL may also from time to time repurchase on the open market, in privately negotiated purchases or otherwise, its debt and equity securities.

At December 31, 2001, United guaranteed approximately \$100 million of third-party debt.

Certain of United's surety bonds for worker's compensation have been cancelled in various states where United is self-insured. As a result, United has been and may, in the future, be required to post collateral in the form of cash deposits or letters of credit. Subsequent to December 31, 2001, United has posted \$187 million in deposits for various states where United is self-insured for worker's compensation claims.

In addition, during January, United paid \$290 million in federal transportation taxes that had been deferred as a result of September 11. The Company also closed on a private debt financing which raised approximately \$250 million in cash and sold its remaining investment in Candant Corporation for approximately \$137 million (see Note 6 "Investments" in the Notes to Consolidated Financial Statements).

As of December 31, 2001, UAL had a working capital deficit of \$3.0 billion as compared to \$1.7 billion at December 31, 2000. The Company has historically relied on working capital to fund a significant portion of its ongoing operations. Historically, UAL has operated with a working capital deficit; however, since September 11, 2001, the Company has not generated positive cash flow from its operations. Due to the lack of predictability of future traffic, business mix and yields, the Company is unable to estimate when it will again generate positive cash flow from operations to meet its operating requirements, as well as short-term and long-term capital requirements.

Prior Years. Operating activities in 2000 generated cash flows of \$2.5 billion. Cash was used primarily to fund net additions to property and equipment (\$2.2 billion) and to repurchase common stock (\$81 million). Financing activities included the issuance of \$2.4 billion in equipment trust certificates, as well as principal payments under debt and capital lease obligations of \$441 million and \$283 million, respectively. Additionally, the Company retired \$116 million of long-term debt prior to maturity.

Operating activities in 1999 generated cash flows of \$2.4 billion and the Company's sale of part of its investments in Galileo and Equant provided \$828 million in cash. Cash was used primarily to fund net additions to property and equipment (\$2.2 billion) and to repurchase common stock (\$261 million). Financing activities also included principal payments under debt and capital lease obligations of \$513 million and \$248 million, respectively.

Capital Commitments -

The Company's business is very capital intensive, requiring significant amounts of capital to fund the acquisition of assets, particularly aircraft. United may fund the acquisition of aircraft through outright purchase, by issuing debt, or by entering into capital or operating leases. Similarly, the Company often enters into long-term lease commitments with airports to ensure access to terminal, cargo, maintenance and other similar facilities. As can be seen in the table below, these operating lease commitments (which are sometimes referred to as "off-balance sheet debt") are significant.

Following is a summary of the Company's material contractual cash obligations as of December 31, 2001:

(In millions)	Less than one year	Years 2 and 3	Years 4 and 5	After 5 years	Total
Long term debt	\$ 1,217	\$ 1,223	\$ 650	\$ 4,757	\$ 7,847
Capital lease obligations	413	638	609	1,501	3,161
Operating leases	1,580	3,163	3,171	16,624	24,538
Capital spending commitments	<u>1,210</u>	<u>648</u>	<u>758</u>	<u>171</u>	<u>2,787</u>
Total contractual cash obligations	<u>\$ 4,420</u>	<u>\$ 5,672</u>	<u>\$ 5,188</u>	<u>\$ 23,053</u>	<u>\$ 38,333</u>

See Note 11 "Long-Term Debt", Note 12 "Lease Obligations" and Note 20 "Commitments, Contingent Liabilities and Uncertainties" in the Notes to Consolidated Financial Statements for additional discussion of these items.

Capital Resources -

At December 31, 2001, UAL and United had an effective shelf registration statement on file with the Securities and Exchange Commission to offer up to \$1.0 billion of securities, including secured and unsecured debt, equipment trust and pass through certificates or a

combination thereof. In addition, as of February 28, 2002, the Company has unencumbered aircraft and spare engines valued at approximately \$3.4 billion. The Company is pursuing potential opportunities, including refinancings and purchase of future aircraft deliveries, to increase this pool of assets.

United also has in place committed back-stop financing from its aircraft manufacturers for all aircraft scheduled to be delivered in 2002.

During the month of January 2002, United closed on a \$775 million private debt financing which refinanced certain aircraft and raised approximately \$250 million in additional cash. In addition, the Company sold its remaining investment in Cendant Corporation for approximately \$137 million (see Note 6 "Investments" in the Notes to Consolidated Financial Statements).

UAL's Series B preferred stock and redeemable preferred securities were rated CCC+ by Standard and Poor's ("S&P") and Ca by Moody's Investors Service Inc. ("Moody's"). United's senior unsecured debt was rated B- by S&P and Caa1 by Moody's. These ratings reflect a January downgrade by S&P. The long-term corporate credit ratings of United remain on S&P's CreditWatch with negative implications.

The impact of the events of September 11, 2001 on United and the sufficiency of its financial resources to absorb that impact will depend on a number of factors, including: (1) the demand for air travel; (2) United's ability to reduce its operating costs and conserve its financial resources, taking into account any increased costs it will incur as a consequence of the attacks, including those referred to below; (3) United's success in implementing its Financial Recovery Plan described above (4) the higher costs associated with new airline security directives and any other increased regulation of air carriers; (5) the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; (6) the ability of United to reduce costs to a level that takes into account the size of its operation; (7) United's ability to raise financing in light of the various factors referred to in this paragraph; (8) the price of jet fuel; and (9) the extent of the benefits received by United under the Act, taking into account any challenges to and interpretations or amendments of the Act. *

At this point, due in part to the lack of predictability of future traffic, business mix and yields, United is unable to fully estimate the impact on it of the events of September 11, 2001 and their consequences and the sufficiency of its financial resources to absorb that impact, including the mitigating effects of the Act and the Company's aggressive actions to reduce its costs. However, given the magnitude of these unprecedented events and the possible subsequent effects, United expects that the adverse impact to its financial condition, its operations and its prospects will continue to be material.*

Other Information

Labor Agreements -

On July 12, 2000, the Company's contracts with the IAM became amendable. The Company has been in negotiations with both IAM District 141M (representing mechanics) and 141 (representing public contact, ramp and stores, food services and security employees) since December 1999 for new contracts. Since September 2000, the negotiations have been conducted under the auspices of the National Mediation Board ("NMB"). Under the terms of the Railway Labor Act, United's current agreements with the IAM remain in effect as negotiations continue.

On November 19, 2001, the NMB released both parties in the mechanics negotiations from mediation and offered both sides binding arbitration, which was accepted by United but declined by the IAM, effectively beginning a 30-day "cooling-off period," which could have resulted in a strike in December 2001. Instead, on December 20, 2001, President Bush appointed a Presidential Emergency Board ("PEB") as permitted by the Railway Labor Act, to study the issues between the parties and recommend a solution, effectively postponing a possible strike for 60 days. On January 20, 2002, the PEB presented its recommendations to the Company and the IAM which included immediate pay increases of as much as 37% for United's mechanics, as well as providing for payment of retroactive wages, of a lesser amount, to July 12, 2000. United accepted the recommendations of the PEB and they were submitted to the IAM for ratification. However, on February 12, the mechanics rejected the recommendations and authorized a strike which could have occurred as early as February 20 at 12:01 a.m. On February 15, the two parties reconvened to continue negotiations and on February 18, the Company and the IAM announced that they had reached a new tentative agreement. On March 5, 2002, the IAM ratified the tentative agreement, which contains some improvements over the PEB-recommended proposal, including payment of retroactive wages in eight equal quarterly installments, including 6% interest, commencing December 2002.

Mediated negotiations with IAM District 141 are continuing.

Avolar -

In May 2001, UAL announced the formation of United BizJet Holdings, Inc. (now known as "Avolar"), a wholly owned subsidiary, to address the travel needs of premium customers who may not use commercial aviation services. Avolar operates and sells fractional ownership interests in premium business aircraft and provides charter services, fleet management services and a domestic and international shuttle product.

In May 2001, UAL's Board of Directors authorized the investment of up to \$250 million in the subsidiary. Through January 2002, UAL has invested \$102 million in Avolar, which includes advance payments on aircraft purchases and the funding of operational expenses. Following the events of September 11, UAL decided to investigate options to reduce its future funding obligations, including a possible sale of a majority of Avolar to third-party investors. Avolar is now pursuing a new business plan to enable it to realize its value without additional investment from UAL or the involvement of private equity investors. In connection with this action, UAL intends to discontinue its financial commitment to Avolar effective March 31. Avolar's business is still in the startup phase of operations and the amounts invested but not yet expensed could result in a significant write-off at UAL if this business plan proves unsuccessful.*

As of December 31, 2001, Avolar has agreements with Gulfstream Aerospace Corporation and Dassault Falcon Jet to purchase 82 aircraft for \$1.9 billion (after deducting advance payments) to be delivered beginning in 2002, with options to purchase an additional 142 aircraft. Avolar has the right to cancel the purchase of specific aircraft under the agreements subject to, among other things, termination fees or other make-whole provisions.

Deferred Tax Assets -

UAL's consolidated balance sheet at December 31, 2001 includes a net deferred tax asset of \$369 million, including \$255 million of alternative minimum tax ("AMT") credits which have an indefinite carryforward period, compared to a net deferred tax liability of \$1.0 billion at December 31, 2000. Note 8 "Income Taxes" in the Notes to Consolidated Financial Statements describes the items included in the deferred tax assets and liabilities.

Management believes that a majority of the deferred tax assets will be realized through reversals of existing deferred tax liabilities with similar reversal patterns and the balance will be realized as a result of generating future taxable income. UAL needs to generate approximately \$4 billion in future taxable income in order to realize the benefits of the remaining deferred tax assets. Between 1994 and 2000, UAL has generated approximately \$5.7 billion in taxable income.

While the book and tax loss in 2001 was largely attributable to events beyond management's control, including the events of September 11 and the recession in the U.S., UAL has taken several steps to reduce costs and improve profitability, as described in "Financial Recovery Plan" above.

UAL's ability to generate sufficient amounts of taxable income from future operations is dependent upon numerous factors, including general economic conditions, inflation, fuel costs, the state of the industry and other factors beyond management's control. There can be no assurances that UAL will meet its expectations of future taxable income. However, based on the extended period over which postretirement benefits will be recognized, the twenty-year federal tax carryforward period, the Company's prior history of taxable income, the utilization of all prior federal net operating loss carryforwards and the indefinite carryforward period for AMT credits, management believes it is more likely than not that future taxable income will be sufficient to utilize the deferred tax assets at December 31, 2001.*

Foreign Operations -

United generates revenues and incurs expenses in numerous foreign currencies. These expenses include aircraft leases, commissions, catering, personnel expense, advertising and distribution costs, customer service expenses and aircraft maintenance. Changes in foreign currency exchange rates impact operating income through changes in foreign currency-denominated operating revenues and expenses. Despite the adverse (favorable) effects a strengthening (weakening) foreign currency may have on U.S. originating traffic, a strengthening (weakening) of foreign currencies tends to increase (decrease) reported revenue and operating income because United's foreign currency-denominated operating revenue generally exceeds its foreign currency-denominated operating expense for each currency.

With a worldwide network and significant sales and marketing efforts in the U.S. as well as every major economic region in the world, United is able to mitigate its exposure to fluctuations in any single foreign currency. The Company's biggest net exposures are typically for Japanese yen, Hong Kong dollars, Australian dollars and British pounds. During 2001, yen-denominated operating revenue net of yen-denominated operating expense was approximately 16 billion yen (approximately \$135 million), Hong Kong dollar-denominated operating revenue net of Hong Kong dollar-denominated operating expense was approximately 1.1 billion Hong Kong dollars (approximately \$135 million), British pound-denominated operating revenue net of British pound-denominated operating expense was approximately 85 million British pounds (approximately \$123 million), and Australian dollar-denominated operating revenue net of Australian dollar-denominated operating expense was approximately 94 million Australian dollars (approximately \$48 million).

As the Company has limited operations in Argentina, United's cash on deposit in Argentina was less than \$4 million at December 31, 2001.

To reduce the impact of exchange rate fluctuations on United's financial results, the Company hedged some of the risk of exchange rate volatility on its anticipated future foreign currency revenues by purchasing put options (consisting of Japanese yen, euro, Australian dollars and British pounds) and selling Hong Kong dollar forwards. To reduce hedging costs, the Company sells a correlation option in the first four currencies referred to above. United also attempts to reduce its exposure to transaction gains and losses by converting excess local currencies generated to U.S. dollars on a timely basis and by entering into currency forward or exchange contracts. The total notional amount of outstanding currency options and forward exchange contracts, and their respective fair market values as of December 31, 2001, are summarized in Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

United's foreign operations involve insignificant amounts of physical assets; however, the Company does have sizable intangible assets related to acquisitions of Atlantic and Latin America route authorities. Operating authorities in international markets are governed by bilateral aviation agreements between the U.S. and foreign countries. Changes in U.S. or foreign government aviation policies can lead to the alteration or termination of existing air service agreements that could adversely impact the value of United's international route authority. Significant changes in such policies could also have a material impact on UAL's operating revenues and results of operations. During 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") which could impact the Company's accounting for these assets. For further details, see "New Accounting Pronouncements" below.

Airport Rents and Landing Fees -

United is charged facility rental and/or landing fees at every airport at which it operates. In recent years, many airports have increased or

sought to increase rates charged to airlines as a means of compensating for increasing demands upon airport revenues. Airlines have challenged certain of these increases through litigation and in some cases have not been successful. The FAA and the DOT have instituted an administrative hearing process to judge whether rate increases are legal and valid. However, to the extent the limitations on such charges are relaxed or the ability of airlines to challenge such charges is restricted, the rates charged by airports may increase substantially. Management cannot predict either the likelihood or the magnitude of any such increase.*

Environmental and Legal Contingencies -

United has been named as a Potentially Responsible Party at certain Environmental Protection Agency ("EPA") cleanup sites which have been designated as Superfund Sites. United's alleged proportionate contributions at the sites are minimal; however, at sites where the EPA has commenced litigation, potential liability is joint and several. Additionally, United has participated and is participating in remediation actions at certain other sites, primarily airports. The estimated cost of these actions is accrued when it is determined that it is probable that United is liable. Environmental regulations and remediation processes are subject to future change, and determining the actual cost of remediation will require further investigation and remediation experience. Therefore, the ultimate disposition cannot be determined at this time. However, while such cost may vary from United's current estimate, United believes the difference between its accrued reserve and the ultimate liability will not be material.*

UAL has certain other contingencies resulting from this and other litigation and claims incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of such contingencies and prior experience, that the ultimate disposition of these contingencies is not likely to materially affect UAL's financial condition, operating results or liquidity.*

Critical Accounting Policies -

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions. UAL has prepared the accompanying financial statements in conformity with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates under different assumptions or conditions. The Company has identified the following critical accounting policies utilized in the preparation of these financial statements.

Revenue Recognition. As discussed in Note 1(d) "Summary of Significant Accounting Policies - Airline Revenues" in the Notes to Consolidated Financial Statements, passenger ticket sales are recorded as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in advance ticket sales as a liability on the balance sheet. United performs periodic evaluations of this liability and any adjustments, which can be significant, are included in the results of operations for the periods in which the evaluations are completed. These adjustments result from differences between the Company's estimation of certain revenue transactions and the related sales price, and are impacted by various factors, including a complex pricing structure and interline agreements throughout the industry, which effect the timing of revenue recognition.

Accounting for Long-Lived Assets. The Company has approximately \$17 billion in operating property and equipment at December 31, 2001. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including the estimation of useful lives, salvage values and in 2001, impairment charges. See Note 1(h) "Summary of Significant Accounting Policies - Operating Property and Equipment" and Note 2 "Special Charges Related to the September 11 Terrorist Attacks" in the Notes to Consolidated Financial Statements for additional information regarding United's policies on accounting for long-lived assets.

Frequent Flyer Accounting. The Company utilizes a number of estimates in accounting for its Mileage Plus frequent flyer program which are consistent with industry practices. Additional information regarding the Mileage Plus frequent flyer program is included in Item 1, Business and in Note 1(b) "Summary of Significant Accounting Policies - Changes in Accounting Principles" and Note 1(i) "Summary of Significant Accounting Policies - Mileage Plus Awards" in the Notes to Consolidated Financial Statements. In addition, the Emerging Issues Task Force of the FASB is currently reviewing the accounting for both multiple-deliverable revenue arrangements and volume-based sales incentive offers, but has not yet reached a consensus that would apply to programs such as the Mileage Plus program. The issuance of new accounting standards could have a significant impact on the Company's frequent flyer liability in the year of change as well as future years.

Pensions and Other Postretirement Benefits. The Company's pension and other postretirement benefit costs are calculated using various actuarial assumptions and methodologies as prescribed under Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" and Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company's assumptions, which include the selection of the discount rate, the expected return on plan assets and the expected health care cost trend rate, are identified in Note 18 "Retirement and Postretirement Plans" in the Notes to Consolidated Financial Statements. The discount rate is based on the Company's review of high quality corporate bond rates and the change in these rates during the year. The expected return on plan assets and health care cost trend rate are based on evaluation of the Company's historical trends and experience taking into consideration current and expected market conditions. In addition, the Company's future pension and other postretirement benefit costs and liabilities will be impacted by the new labor agreements with the IAM.

Valuation Allowance for Deferred Tax Assets. At December 31, 2001, the Company had a net deferred tax asset of \$369 million, which the Company has determined is more likely than not to be realized. A valuation allowance of \$6 million was calculated for those state net operating losses with carryforward periods of seven years or less, using assumptions and methodologies as prescribed under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and as described in "Deferred Tax Assets" above. See also Note 8 "Income Taxes" in the Notes to Consolidated Financial Statements for additional information.

New Accounting Pronouncements -

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") and SFAS No. 142. SFAS No. 141 is effective for combinations initiated after June 30, 2001 and requires the use of the purchase method in accounting for business combinations. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 and requires companies to test all goodwill and indefinite-lived intangible assets for impairment and to cease amortization of such assets. The Company intends to adopt SFAS No. 142 beginning in the first quarter 2002 and currently estimates discontinuing approximately \$17 million in amortization expense in 2002. In accordance with SFAS No. 142, the Company will perform an evaluation of its intangibles in the first quarter after adoption.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"), which addresses the accounting and reporting for obligations associated with the retirement of long-lived assets and associated asset retirement costs. Under SFAS No. 143, the fair value of a liability for an asset retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. In addition, the associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Company has not yet quantified the impact of SFAS No. 143 on the Company's financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), which addresses the accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS No. 121") but retains SFAS No. 121's fundamental provisions for recognition/measurement of impairment of long-lived assets to be held and used and measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company does not expect SFAS No. 144 to have a material impact on the Company's financial statements upon adoption.

Outlook for 2002*-

While starting to see some positive revenue trends, the Company expects to report a significant loss in the first quarter of 2002. Capacity for the first quarter is expected to be down 19% and unit costs, excluding United's fuel subsidiary, are expected to increase 7% year-over-year. First quarter fuel price is projected to be down 24% year-over-year.

The Company expects January 2002 passenger unit revenue to be 15% to 17% below last year. United's booked load factor for February is ahead of last year, while March is about the same as last year.

Information included in the above "Outlook" paragraphs, as well as certain statements made throughout the Management's Discussion and Analysis of Financial Condition and Results of Operations that are identified with an asterisk (*) is forward-looking and involves risks and uncertainties that could result in actual results differing materially from expected results. Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of this filing. Some factors that could significantly impact net earnings, revenues, expenses, unit costs, fuel, load factor and capacity include, without limitation, the adverse impact of the September 11 terrorist attacks on the economy in general; the demand for air travel; the ability to reduce operating costs and conserve financial resources; the higher costs associated with new airline security directives and any other increased regulation of air carriers; the significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available; the ability to raise and the cost of financing in light of the September 11 events; the price of jet fuel; the airline pricing environment; industry capacity decisions; competitors' route decisions; the success of the Company's cost-reduction efforts; the success of the Company's implementation of the Financial Recovery Plan; the results of union contract negotiations and wage rate reduction discussions and their impact on labor costs and operations; the willingness of customers to travel; actions of the U.S., foreign and local governments; foreign currency exchange rate fluctuations; the economic environment of the airline industry and the economic environment in general.

Investors should not place undue reliance on the forward-looking information contained herein, which speaks only as of the date of this filing. UAL disclaims any intent or obligation to update or alter any of the forward-looking statements whether in response to new information, unforeseen events, changed circumstances or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk - United's exposure to market risk associated with changes in interest rates relates primarily to its debt obligations and short-term investments. United does not use derivative financial instruments in its investments portfolio. United's policy is to manage interest rate risk through a combination of fixed and floating rate debt and entering into swap agreements, depending upon market conditions. A portion of the borrowings are denominated in foreign currencies which exposes the Company to risks associated with changes in foreign exchange rates. To hedge against some of this risk, the Company has placed foreign currency deposits (primarily for Japanese yen, French francs, German marks and euros) to meet foreign currency lease obligations designated in the respective currencies. Since unrealized mark-to-market gains or losses on the foreign currency deposits are offset by the losses or gains on the foreign currency obligations, the Company reduces its overall exposure to foreign currency exchange rate volatility. The fair value of these deposits is determined based on the present value of future cash flows using an appropriate swap rate. The fair value of long-term debt is based on the quoted market prices for the same or similar issues or the present value of future cash flows using a U.S. Treasury rate that matches the remaining life of the instrument, adjusted by a credit spread.

(In millions)	Expected Maturity Dates						2001		2000	
	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value	Total	Fair Value
ASSETS										
Cash equivalents										
Fixed rate	\$1,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,647	\$1,647	\$1,674	\$1,674
Avg. interest rate	2.21%	-	-	-	-	-	2.21%		6.68%	
Variable rate	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41	\$ 41	\$ 5	\$ 5
Avg. interest rate	2.28%	-	-	-	-	-	2.28%		6.96%	
Short term investments										
Fixed rate	\$ 742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742	\$ 742	\$ 590	\$ 590
Avg. interest rate	5.09%	-	-	-	-	-	5.09%		6.96%	
Variable rate	\$ 198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198	\$ 198	\$ 75	\$ 75
Avg. interest rate	2.53%	-	-	-	-	-	2.53%		6.77%	
Lease deposits										
Fixed rate - yen deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314	\$ 314	\$ 361	\$ 348	\$ 394
Avg. interest rate	-	-	-	-	-	3.06%	3.06%		3.06%	
Fixed rate - FF deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ 10	\$ 10	\$ 9
Avg. interest rate	-	-	-	-	-	5.61%	5.61%		5.61%	
Fixed rate - DM deposits	\$ 1	\$ 2	\$ 2	\$ 2	\$ 2	\$ 295	\$ 304	\$ 329	\$ 314	\$ 354
Avg. interest rate	4.53%	4.56%	4.60%	4.63%	4.66%	6.79%	6.73%		6.72%	
Fixed rate - EUR deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ 26	\$ 25	\$ 26	\$ 24
Avg. interest rate	-	-	-	-	-	4.14%	4.14%		4.14%	
Fixed rate- USD deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13	\$ 15	\$ 12	\$ 13
Avg. interest rate	-	-	-	-	-	6.49%	6.49%		6.49%	
LONG-TERM DEBT										
U. S. Dollar denominated										
Fixed rate debt	\$ 117	\$ 250	\$ 366	\$ 280	\$ 268	\$ 3,820	\$5,101	\$4,273	\$3,484	\$3,617
Avg. interest rate	7.24%	8.15%	9.53%	7.57%	7.36%	7.38%	7.58%		7.90%	
Variable rate debt	\$1,100	\$ 46	\$ 561	\$ 50	\$ 52	\$ 937	\$2,746	\$2,591	\$1,383	\$1,383
Avg. interest rate	3.35%	3.83%	3.05%	3.88%	3.90%	3.49%	3.37%		6.30%	

(In millions, except average contract rates)	Notional Amount	December 31, 2001 Average Contract Rate	Estimated Fair Value
Interest rate swap	\$ 135	7.86%	(Pay)/Receive ¹ \$ (17)

Foreign Currency Risk - United has established a foreign currency hedging program using currency forwards and options (purchasing put options and selling correlation options) to hedge exposure to the Japanese yen, Hong Kong dollar, British pound, Australian dollar and the euro. The goal of the hedging program is to effectively manage risk associated with fluctuations in the value of the foreign currency, thereby making financial results more stable and predictable. United does not use currency forwards or currency options for trading purposes.

(In millions, except average contract rates)	Notional Amount	December 31, 2001 Average Contract Rate	Estimated Fair Value
Forward exchange contracts			(Pay)/Receive ¹
Japanese Yen - Purchased forwards	\$ 115	126.60	\$ (4)
- Sold forwards	\$ 58	130.90	\$ -

French Franc - Purchased forwards	\$ 50	5.05	\$ (6)
Euro - Purchased forwards	\$ 152	1.27	\$ (16)

<u>(In millions, except average contract rates)</u>	<u>Notional Amount</u>	<u>December 31, 2000 Average Contract Rate</u>	<u>Estimated Fair Value</u> (Pay)/Receive ¹
Forward exchange contracts			
Japanese Yen - Purchased forwards	\$ 141	112.33	\$ (3)
- Sold forwards	\$ 66	114.71	\$ -
Hong Kong Dollar - Sold forwards	\$ 23	7.79	\$ -
French Franc - Purchased forwards	\$ 50	5.05	\$ (5)
Euro - Purchased forwards	\$ 140	1.30	\$ (14)

Price Risk (Aircraft Fuel) - When market conditions indicate risk reduction is achievable, United enters into fuel option contracts to reduce its price risk exposure to jet fuel. The option contracts are designed to provide protection against sharp increases in the price of aircraft fuel. As market conditions change, so may United's hedging program. In addition, to a limited extent, United trades short-term heating oil futures and option contracts, which are not significant.

<u>(In millions, except average contract rates)</u>	<u>Notional Amount</u>	<u>December 31, 2001 Average Contract Rate</u>	<u>Estimated Fair Value</u> (Pay)/Receive ¹
Purchased forward contracts - Crude oil	\$ 201	\$ 23.96/bbl	\$ (28)
Purchased forward contracts - Heating oil	\$ 120	\$ 27.16/bbl	\$ (17)

¹Estimated fair values represent the amount United would pay/receive on December 31, 2001 to terminate the contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and
Board of Directors, UAL Corporation:

We have audited the accompanying statements of consolidated financial position of UAL Corporation (a Delaware corporation) and subsidiary companies as of December 31, 2001 and 2000, and the related statements of consolidated operations, consolidated cash flows and consolidated stockholders' equity for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UAL Corporation and subsidiary companies as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1(b) of the Notes to Consolidated Financial Statements, effective January 1, 2001, the Company changed its accounting principles for the measurement of redeemable preferred ESOP stock as a result of the adoption of Topic D-98 "Classification and Measurement of Redeemable Securities" and effective January 1, 2000, the Company changed certain of its accounting principles for revenue recognition as a result of the adoption of Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements."

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule referenced in

Item 14(a) 2 herein is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Chicago, Illinois
February 20, 2002

UAL Corporation and Subsidiary Companies
Statements of Consolidated Operations
(In millions, except per share)

	<u>Year Ended December 31</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating revenues:			
Passenger	\$ 13,788	\$ 16,932	\$ 15,784
Cargo	704	931	906
Other operating revenues	<u>1,646</u>	<u>1,489</u>	<u>1,337</u>
	<u>16,138</u>	<u>19,352</u>	<u>18,027</u>
Operating expenses:			
Salaries and related costs	7,080	6,877	6,426
Aircraft fuel	2,476	2,511	1,776
Commissions	710	1,025	1,139
Purchased services	1,650	1,711	1,575
Aircraft rent	827	888	876
Landing fees and other rent	1,009	959	949
Depreciation and amortization	1,026	988	850
Aircraft maintenance	701	698	689
Cost of sales	1,280	1,061	602
Other operating expenses	1,722	1,841	1,737
Special charges	<u>1,428</u>	<u>139</u>	<u>17</u>
	<u>19,909</u>	<u>18,698</u>	<u>16,636</u>
Earnings (loss) from operations	<u>(3,771)</u>	<u>654</u>	<u>1,391</u>
Other income (expense):			
Interest expense	(525)	(402)	(362)
Interest capitalized	79	77	75
Interest income	105	101	68
Equity in earnings (losses) of affiliates	(23)	(12)	37
Gain on sale of investments	261	109	731
Non-operating special charges	(49)	(61)	-
Airline stabilization grant	652	-	-
Miscellaneous, net	<u>(86)</u>	<u>(35)</u>	<u>2</u>
	<u>414</u>	<u>(223)</u>	<u>551</u>
Earnings (loss) before income taxes, distributions on preferred securities, extraordinary item and cumulative effect	(3,357)	431	1,942
Provision for income taxes	<u>(1,226)</u>	<u>160</u>	<u>699</u>
Earnings (loss) before distributions on preferred securities, extraordinary item and cumulative effect	(2,131)	271	1,243
Distributions on preferred securities, net of tax	<u>(6)</u>	<u>(6)</u>	<u>(5)</u>
Earnings (loss) before extraordinary item and cumulative	(2,137)	265	1,238

effect			
Extraordinary loss on early extinguishment of debt, net of tax	-	(6)	(3)
Cumulative effect of accounting change, net of tax	<u>(8)</u>	<u>(209)</u>	<u>-</u>
Net earnings (loss)	<u>\$ (2,145)</u>	<u>\$ 50</u>	<u>\$ 1,235</u>
Per share, basic:			
Earnings (loss) before extraordinary item and cumulative effect	\$ (39.90)	\$ 2.02	\$ 10.99
Extraordinary loss on early extinguishment of debt, net of tax	-	(0.05)	(0.03)
Cumulative effect of accounting change, net of tax	<u>(0.14)</u>	<u>(1.93)</u>	<u>-</u>
Net earnings (loss)	<u>\$ (40.04)</u>	<u>\$ 0.04</u>	<u>\$ 10.96</u>
Per share, diluted:			
Earnings (loss) before extraordinary item and cumulative effect	\$ (39.90)	\$ 1.89	\$ 9.97
Extraordinary loss on early extinguishment of debt, net of tax	-	(0.06)	(0.03)
Cumulative effect of accounting change, net of tax	<u>(0.14)</u>	<u>(1.79)</u>	<u>-</u>
Net earnings (loss)	<u>\$ (40.04)</u>	<u>\$ 0.04</u>	<u>\$ 9.94</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
Statements of Consolidated Financial Position
(In millions)

<u>Assets</u>	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Current assets:		
Cash and cash equivalents	\$ 1,688	\$ 1,679
Short-term investments	940	665
Receivables, less allowance for doubtful accounts (2001 - \$30; 2000 - \$14)	1,047	1,216
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2001 - \$70; 2000 - \$55)	329	424
Income tax receivables	174	110
Deferred income taxes	272	225
Prepaid expenses and other	<u>636</u>	<u>460</u>
	<u>5,086</u>	<u>4,779</u>
Operating property and equipment:		
Owned -		
Flight equipment	14,745	14,888
Advances on flight equipment	566	810
Other property and equipment	<u>3,919</u>	<u>3,714</u>
	19,230	19,412
Less - Accumulated depreciation and amortization	<u>4,716</u>	<u>5,583</u>
	<u>14,514</u>	<u>13,829</u>
Capital leases -		

Flight equipment	2,667	3,055
Other property and equipment	<u>99</u>	<u>99</u>
	2,766	3,154
Less - Accumulated amortization	<u>472</u>	<u>640</u>
	<u>2,294</u>	<u>2,514</u>
	<u>16,808</u>	<u>16,343</u>
Other assets:		
Investments	278	435
Intangibles, less accumulated amortization (2001 - \$333; 2000 - \$306)	984	671
Aircraft lease deposits	667	710
Prepaid rent	374	567
Deferred income taxes	97	-
Other	<u>903</u>	<u>850</u>
	<u>3,303</u>	<u>3,233</u>
	<u>\$ 25,197</u>	<u>\$ 24,355</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
Statements of Consolidated Financial Position
(In millions, except share data)

	<u>December 31</u>	
<u>Liabilities and Stockholders' Equity</u>	<u>2001</u>	<u>2000</u>
Current liabilities:		
Notes payable	\$ 133	\$ -
Long-term debt maturing within one year	1,217	170
Current obligations under capital leases	237	269
Advance ticket sales	1,183	1,454
Accounts payable	1,268	1,188
Accrued salaries, wages and benefits	1,227	1,236
Accrued aircraft rent	903	840
Other accrued liabilities	<u>1,898</u>	<u>1,352</u>
	<u>8,066</u>	<u>6,509</u>
Long-term debt	<u>6,622</u>	<u>4,688</u>
Long-term obligations under capital leases	<u>1,943</u>	<u>2,261</u>
Other liabilities and deferred credits:		
Deferred pension liability	1,241	136
Postretirement benefit liability	1,690	1,557
Deferred gains	827	912
Accrued aircraft rent	551	408
Deferred income taxes	-	1,241
Other	<u>1,049</u>	<u>783</u>
	<u>5,358</u>	<u>5,037</u>
Commitments and contingent liabilities (Note 20)		

Company-obligated mandatorily redeemable preferred securities of a subsidiary trust	<u>98</u>	<u>99</u>
Preferred stock committed to Supplemental ESOP	<u>77</u>	<u>304</u>
Stockholders' equity:		
Serial preferred stock (Note 14)	-	-
ESOP preferred stock (Note 15)	-	-
Common stock at par, \$0.01 par value; authorized 200,000,000 shares; issued 71,266,547 shares at December 31, 2001 and 68,834,167 shares at December 31, 2000	1	1
Additional capital invested	4,995	4,797
Retained earnings (deficit)	(199)	1,998
Stock held in treasury, at cost -		
Preferred, 10,213,519 depository shares at December 31, 2001 and 2000 (Note 14)	(305)	(305)
Common, 16,282,369 shares at December 31, 2001 and 16,295,475 shares at December 31, 2000	(1,180)	(1,179)
Accumulated other comprehensive income	(275)	152
Other	<u>(4)</u>	<u>(7)</u>
	<u>3,033</u>	<u>5,457</u>
	<u>\$ 25,197</u>	<u>\$ 24,355</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
Statements of Consolidated Cash Flows
(In millions)

	<u>Year Ended December 31</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents at beginning of year	<u>\$ 1,679</u>	<u>\$ 310</u>	<u>\$ 390</u>
Cash flows from operating activities:			
Net earnings (loss)	(2,145)	50	1,235
Adjustments to reconcile to net cash provided by operating activities -			
ESOP compensation expense	-	147	756
Cumulative effect of accounting change, net of tax	8	209	-
Extraordinary loss on debt extinguishment, net of tax	-	6	3
Gain on sale of investments	(261)	(109)	(731)
Investment impairment	-	61	-
Pension funding less than (greater than) expense	391	(21)	94
Deferred postretirement benefit expense	214	153	65
Depreciation and amortization	1,932	1,058	867
Provision (credit) for deferred income taxes	(1,144)	317	590
Undistributed (earnings) losses of affiliates	30	13	(20)
Decrease (increase) in receivables	165	68	(146)
Decrease (increase) in other current assets	170	(208)	2

Increase (decrease) in advance ticket sales	(271)	42	(17)
Increase (decrease) in accrued income taxes	(60)	(77)	(76)
Increase (decrease) in accounts payable and accrued liabilities	589	761	(86)
Amortization of deferred gains	(66)	(66)	(66)
Other, net	<u>288</u>	<u>68</u>	<u>(49)</u>
	<u>(160)</u>	<u>2,472</u>	<u>2,421</u>
Cash flows from investing activities:			
Additions to property and equipment	(1,951)	(2,538)	(2,389)
Proceeds on disposition of property and equipment	178	324	154
Proceeds on sale of investments	259	147	828
Acquisition of MyPoints.com, net of cash acquired (Note 22)	(32)	-	-
Decrease (increase) in short-term investments	(275)	(286)	46
Other, net	<u>(148)</u>	<u>(168)</u>	<u>(263)</u>
	<u>(1,969)</u>	<u>(2,521)</u>	<u>(1,624)</u>
Cash flows from financing activities:			
Repurchase of common stock	-	(81)	(261)
Proceeds from issuance of long-term debt	2,485	2,515	286
Repayment of long-term debt	(176)	(441)	(513)
Principal payments under capital leases	(289)	(283)	(248)
Purchase of equipment certificates under Company leases	-	(208)	(47)
Decrease in equipment certificates under Company leases	33	228	33
Increase (decrease) in short-term borrowings	133	(61)	(123)
Aircraft lease deposits	17	(138)	(20)
Cash dividends	(88)	(118)	(10)
Other, net	<u>23</u>	<u>5</u>	<u>26</u>
	<u>2,138</u>	<u>1,418</u>	<u>(877)</u>
Increase (decrease) in cash and cash equivalents during the year	<u>9</u>	<u>1,369</u>	<u>(80)</u>
Cash and cash equivalents at end of year	<u>\$ 1,688</u>	<u>\$ 1,679</u>	<u>\$ 310</u>

See accompanying Notes to Consolidated Financial Statements.

UAL Corporation and Subsidiary Companies
Statements of Consolidated Stockholders' Equity
(In millions, except per share)

	Preferred Stock	Common Stock	Additional Capital Invested	Retained Earnings	Unearned ESOP Preferred Stock	Treasury Stock	Accumulated Other Comp. Income	Other	Total
Balance at December 31, 1998	\$ -	\$ 1	\$ 3,608	\$ 1,028	\$ (121)	\$ (1,140)	\$ (2)	\$ (2)	\$ 3,372
Year ended December 31, 1999:									
Net earnings	-	-	-	1,235	-	-	-	-	1,235
Other comprehensive income, net:									
Unrealized gains on securities, net	-	-	-	-	-	-	354	-	354
Total comprehensive income	-	-	-	1,235	-	-	354	-	1,589

Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Common stock repurchases	-	-	-	-	-	(261)	-	-	(261)
Issuance and amortization of									
ESOP preferred stock	-	-	740	-	16	-	-	-	756
ESOP dividend (\$8.89 per share)	-	-	38	(115)	77	-	-	-	-
Preferred stock committed to									
Supplemental ESOP	-	-	(353)	-	-	-	-	-	(353)
Other	-	-	5	-	-	(1)	-	(7)	(3)
Balance at December 31, 1999	-	1	4,038	2,138	(28)	(1,402)	352	(9)	5,090
Year ended December 31, 2000:									
Net earnings	-	-	-	50	-	-	-	-	50
Other comprehensive income, net:									
Unrealized losses on securities, net	-	-	-	-	-	-	(196)	-	(196)
Minimum pension liability adj.	-	-	-	-	-	-	(4)	-	(4)
Total comprehensive income	-	-	-	50	-	-	(200)	-	(150)
Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Cash dividends on common									
stock (\$1.25 per share)	-	-	-	(144)	-	-	-	-	(144)
Common stock repurchases	-	-	-	-	-	(81)	-	-	(81)
Issuance and amortization of									
ESOP preferred stock	-	-	147	-	-	-	-	-	147
ESOP dividend (\$8.89 per share)	-	-	8	(36)	28	-	-	-	-
Preferred stock committed to									
Supplemental ESOP	-	-	650	-	-	-	-	-	650
Other	-	-	(46)	-	-	(1)	-	2	(45)
Balance at December 31, 2000	-	1	4,797	1,998	-	(1,484)	152	(7)	5,457
Year ended December 31, 2001:									
Net loss	-	-	-	(2,145)	-	-	-	-	(2,145)
Other comprehensive income, net:									
Unrealized losses on investments, net	-	-	-	-	-	-	(116)	-	(116)
Unrealized losses on derivatives, net	-	-	-	-	-	-	(46)	-	(46)
Minimum pension liability adj.	-	-	-	-	-	-	(265)	-	(265)
Total comprehensive income	-	-	-	(2,145)	-	-	(427)	-	(2,572)
Cash dividends on preferred									
stock (\$1.44 per Series B share)	-	-	-	(10)	-	-	-	-	(10)
Cash dividends on common									
stock (\$0.30 per share)	-	-	-	(42)	-	-	-	-	(42)
Preferred stock committed to									
Supplemental ESOP	-	-	229	-	-	-	-	-	229
Other	-	-	(31)	-	-	(1)	-	3	(29)
Balance at December 31, 2001	\$ -	\$ 1	\$ 4,995	\$ (199)	\$ -	\$ (1,485)	\$ (275)	\$ (4)	\$ 3,033

See accompanying [Notes to Consolidated Financial Statements](#).

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation - UAL Corporation ("UAL") is a holding company whose principal subsidiary is United Air Lines, Inc. ("United"). The consolidated financial statements include the accounts of UAL and all of its majority-owned affiliates (collectively "the Company"). All significant intercompany transactions are eliminated. Certain prior-year financial statement items have been reclassified to conform to the current year's presentation.

(b) Changes in Accounting Principles - During 2001, the Emerging Issues Task Force issued Topic D-98 "Classification and Measurement of Redeemable Securities" ("Topic D-98"). Topic D-98 states that redeemable preferred stock with redemption features outside

of the control of the issuer should be classified outside of permanent equity; additionally, for stock that will become redeemable at some future date and its redemption amount is variable (such as at market value), changes in the redemption value should be recognized immediately as they occur and the carrying value of the security be adjusted at the end of each reporting period.

UAL's preferred stock committed to the Supplemental ESOP is redeemable preferred stock with redemption features outside of UAL's control, as employees can elect to receive from the ESOP trustee, their shares in cash upon termination of employment. The Supplemental ESOP preferred stock is classified outside of permanent equity. Topic D-98 requires that the Supplemental ESOP preferred stock be recorded at fair market value at each balance sheet date and also requires retroactive application. Accordingly, UAL has restated the carrying amount of the preferred stock to reflect market value at December 31, 2000, 1999 and 1998 with a corresponding change to additional paid in capital. The restatements are as follows:

(In millions)		<u>2000</u>	<u>1999</u>	<u>1998</u>
Preferred stock committed to				
Supplemental ESOP	As reported	\$ 571	\$ 893	\$ 691
	As restated	\$ 304	\$ 954	\$ 600
Additional capital invested	As reported	\$ 4,530	\$ 4,099	\$ 3,517
	As restated	\$ 4,797	\$ 4,038	\$ 3,608

Effective January 1, 2001, UAL adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. The adoption of SFAS No. 133 resulted in a cumulative charge of \$8 million, net of tax, to 2001 earnings. This primarily related to the changes in fair values of certain equity warrants that were not designated as qualifying hedging instruments. (See Note 1(f) "Summary of Significant Accounting Policies - Derivative Financial Instruments.")

Effective January 1, 2000, the Company changed its method of accounting for the sale of mileage to participating non-airline partners in its Mileage Plus program, in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Under the new accounting method, a portion of revenue from the sale of mileage (previously recognized in other revenue) is deferred and recognized as passenger revenue when the transportation is provided. Accordingly, UAL recorded a charge of \$209 million, net of tax, for the cumulative effect of a change in accounting principle to reflect the application of the accounting method to prior years. This change resulted in a reduction to revenues of approximately \$38 million for 2000 and would have reduced 1999 revenues by \$45 million.

The pro forma effect of the accounting change on net income and earnings per share as previously reported for 1999 and prior years is as follows:

		<u>1999</u>	<u>1998</u>	<u>1997</u>
Earnings before extraordinary items (in millions)	As reported	\$ 1,238	\$ 821	\$ 958
	Pro forma	\$ 1,209	\$ 774	\$ 931
Earnings per share before extraordinary items				
Basic	As reported	\$ 10.99	\$ 7.34	\$ 9.50
	Pro forma	\$ 10.70	\$ 6.86	\$ 9.21
Diluted	As reported	\$ 9.97	\$ 6.83	\$ 9.04
	Pro forma	\$ 9.71	\$ 6.38	\$ 8.76
Net earnings (in millions)	As reported	\$ 1,235	\$ 821	\$ 949
	Pro forma	\$ 1,206	\$ 774	\$ 922
Net earnings per share				
Basic	As reported	\$ 10.96	\$ 7.34	\$ 9.41
	Pro forma	\$ 10.67	\$ 6.86	\$ 9.12
Diluted	As reported	\$ 9.94	\$ 6.83	\$ 8.95
	Pro forma	\$ 9.68	\$ 6.38	\$ 8.67

(c) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See following footnotes for discussion of significant estimates used in the preparation of the financial statements.

(d) Airline Revenues - Passenger fares and cargo revenues are recorded as operating revenues when the transportation is furnished. The value of unused passenger tickets is included in current liabilities.

(e) Cash and Cash Equivalents and Short-Term Investments - Cash in excess of operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments.

From time to time, United lends certain of its securities classified as cash and cash equivalents and short-term investments to third parties. United requires collateral in an amount exceeding the value of the securities and is obligated to reacquire the securities at the end of the contract. United accounts for these transactions as secured borrowings rather than sales and does not remove the securities from the balance sheet. At December 31, 2001, United was obligated to repurchase \$2 million of securities lent to third parties.

At December 31, 2001 and 2000, \$526 million and \$598 million, respectively, of investments in debt securities included in cash and cash equivalents and short-term investments were classified as available-for-sale, and \$2.0 billion and \$1.7 billion, respectively, were classified as held-to-maturity. Investments in debt securities classified as available-for-sale are stated at fair value based on the quoted market prices for the securities, which does not differ significantly from their cost basis. Investments classified as held-to-maturity are stated at cost which approximates market due to their short-term maturities. The gains or losses from sales of available-for-sale securities are included in interest income for each respective year.

(f) Derivative Financial Instruments -

Hedges of Future Cash Flows

Foreign Currency - United enters into forwards and currency swaps to reduce exposure to currency fluctuations on Japanese yen-, euro- and French franc-denominated capital lease obligations. The cash flows of the forwards and swaps mirror those of the capital leases. These forwards and swaps have been designated as cash flow hedges of the foreign currency denominated lease payments. For these forwards and swaps, United excludes changes in fair value resulting from changes in the forward points in its assessment of effectiveness. Any gains or losses realized upon early termination of these forwards and swaps are recorded (net of tax) as a component of other comprehensive income and recognized in income as the hedged transaction impacts earnings.

The Company hedges some of the risks of exchange rate volatility on its anticipated future Japanese yen, euro, Canadian dollar, Australian dollar and British pound revenues by purchasing put options and on Hong Kong dollar revenues by entering into forward contracts. These options and forwards have a duration of less than one year and the amounts are synchronized with the expected cash receipts. Accordingly, the put options and forwards have been designated as cash flow hedges of the anticipated cash receipts. Changes in the fair value of purchased put option contracts, to the extent they are effective, are recorded in other comprehensive income (net of tax) and then recognized as a component of passenger revenue when the underlying hedged revenue is recorded. United excludes, in its assessment of effectiveness, changes in the fair value of these instruments that are a result of changes in their time value.

Aircraft Fuel- United uses crude oil and heating oil forwards and options to hedge a portion of its price risk related to aircraft fuel purchases. These contracts have maturity dates of less than two years and have been designated as cash flow hedges of anticipated jet fuel purchases. These contracts are recorded at fair value with the changes in fair value, to the extent they are effective, recorded in other comprehensive income (net of tax), until the underlying hedged fuel is consumed. The Company determines the ineffective portion of the fuel forwards and options as the excess of the fair value of the hedge contracts compared to the change in expected cash outflows for the hedged jet fuel. United excludes, in its assessment of effectiveness, changes in the fair value of these instruments that are a result of changes in their time value.

Interest Rate - United is a party to a series of interest rate swaps that convert floating-rate operating leases to fixed-rate leases. United has designated these swaps as cash flow hedges of the floating-rate leases and has recorded these contracts at fair value with the effective portion recorded as a component of other comprehensive income (net of tax).

The ineffectiveness resulting from the changes in fair value of aircraft fuel and interest rate hedge positions was immaterial. There was no ineffectiveness resulting from the changes in fair value of foreign currency hedge positions reported in earnings. Amounts excluded from the assessment of effectiveness amounted to approximately \$3 million before income taxes and were recorded in "Miscellaneous, net."

The following is a reconciliation of current period changes (net of tax) of the portion of stockholders' equity relating to derivatives that qualify as cash flow hedges:

<u>(In millions)</u>	<u>(decrease)/increase</u>
Transition adjustment as of January 1, 2001	\$ (4)
Current period increase in fair value, net	(39)

Reclassifications into earnings, net	(3)
Balance as of December 31, 2001	\$ (46)

Of this amount, \$32 million in losses is expected to be recorded into earnings within the next twelve months. At December 31, 2001, the term of derivative instruments hedging variability in cash flows, except those related to payment of variable interest on existing financial instruments, was seventeen years.

Other Derivative Instruments Not Designated as Hedges

Equity Warrants- The Company may also invest in or receive warrants to purchase securities of other companies as strategic investments. Changes in the fair value of warrants that are not designated as hedge instruments are included in "Miscellaneous, net."

Foreign Currency - From time to time, United enters into Japanese yen forward exchange contracts to minimize gains and losses on the revaluation of short-term yen-denominated liabilities. The yen forwards, typically having short-term maturities, are not designated hedges under SFAS No. 133 and are marked to fair value through the income statement at the end of each accounting period. The unrealized mark-to-market gains and losses generally offset the losses and gains recorded on the yen liabilities.

To reduce hedging costs, the Company sells a correlation option denominated in Japanese yen, euros, Canadian dollars, Australian dollars and British pounds. These correlation options are not designated as a hedge and the changes in the fair market value of the correlation options are included in "Miscellaneous, net."

(g) Aircraft Fuel, Spare Parts and Supplies - Aircraft fuel and maintenance and operating supplies are stated at average cost. Flight equipment spare parts are stated at average cost less an obsolescence allowance.

(h) Operating Property and Equipment - Owned operating property and equipment is stated at cost. Property under capital leases, and the related obligation for future lease payments, are initially recorded at an amount equal to the then present value of those lease payments.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over their estimated service lives. Leasehold improvements are amortized over the remaining period of the lease or the estimated service life of the related asset, whichever is less. Aircraft are depreciated to estimated salvage values, generally over lives of 4 to 30 years; buildings are depreciated over lives of 25 to 45 years; and other property and equipment are depreciated over lives of 3 to 15 years.

Properties under capital leases are amortized on the straight-line method over the life of the lease, or in the case of certain aircraft, over their estimated service lives. Lease terms are 10 to 30 years for aircraft and flight simulators and 25 years for buildings. Amortization of capital leases is included in depreciation and amortization expense.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense accounts. Costs of additions to and renewals of units of property are charged to property and equipment accounts.

(i) Mileage Plus Awards - United accrues the estimated incremental cost of providing free travel awards earned under its Mileage Plus frequent flyer program when such award levels are reached. United, through its wholly owned subsidiary, Mileage Plus Holdings, Inc., sells mileage credits to participating partners in the Mileage Plus program.

(j) Deferred Gains - Gains on aircraft sale and leaseback transactions are deferred and amortized over the lives of the leases as a reduction of rental expense.

(k) United Express - United has marketing agreements under which independent regional carriers, flying under the United Express name, feed United's mainline flying. United pays these carriers on a fee-per-departure basis and includes the revenues derived from the carriers in passenger revenue, net of expenses. In addition, United has call options that are exercisable under certain conditions, on 22 regional jets owned or leased by these carriers.

(l) Advertising - Advertising costs, which are included in other operating expenses, are expensed as incurred. Advertising expense was \$217 million, \$269 million and \$232 million for the years ended December 31, 2001, 2000 and 1999, respectively.

(m) Intangibles - Intangibles consist primarily of route acquisition costs and intangible pension assets (see Note 18 "Retirement and Postretirement Plans"). Route acquisition costs are amortized over 40 years. During 2001, the FASB issued SFAS No. 142 which the Company intends to adopt in January 2002. See *Other Information*, "New Accounting Pronouncements" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(n) Measurement of Impairments - In accordance with SFAS No. 121, the Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of those assets. In August 2001, the FASB issued SFAS No. 144, which supersedes SFAS No. 121. See *Other Information*, "New Accounting Pronouncements" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(2) Special Charges Related to the September 11 Terrorist Attacks

On September 11, 2001, two United aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and in a crash near Johnstown, Pennsylvania. On the same day, two American Airlines aircraft were also hijacked and used in terrorist attacks on The World Trade Center and the Pentagon. In addition to the loss of all passengers and crew on board the aircraft, these attacks resulted in numerous deaths and injuries to persons on the ground and massive property damage. In the immediate aftermath of the attacks, the FAA ordered all aircraft operating in the U.S. grounded immediately. This grounding effectively lasted for three days, and the Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields were significantly lower than prior to the attacks.

In a direct response to the adverse impact on air travel as a result of the September 11 terrorist attacks, United reduced capacity by as much as 23%, which allowed for the retirement of the entire B727-200 and B737-200 fleets. In addition, on September 19, United announced that it would begin the process of furloughing approximately 20,000 employees. Since that time, however, due to slightly increased customer demand, and an increase to the April 2002 schedule, United plans to recall 1,200 flight attendants to active status on April 1, 2002 and to furlough fewer pilots than previously planned.

During the third quarter, United recorded a special charge of \$1.3 billion in operating expense and \$49 million in non-operating expense for amounts relating to the September 11 terrorist attacks and the resulting impact on the Company's schedule and operations. In addition, as of December 31, 2001, United had received \$652 million in compensation under the Air Transportation Safety and System Stabilization Act (the "Act"). For further information, see "September 11 Terrorist Attacks" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

The special charge is made up of the following:

(In millions)	<u>Amount</u>	<u>Amount (net of tax)</u>
Special charges:		
Aircraft groundings and impairment	\$ 788	
Reduction in force	217	
Early termination fees	181	
Discontinued capital projects	107	
Miscellaneous	<u>20</u>	
Total operating special charges	\$ 1,313	\$ 834
Non-operating special charges	49	31
Airline stabilization grant	<u>(652)</u>	<u>(414)</u>
Special charges, net of grant	\$ <u>710</u>	\$ <u>451</u>

As a result of the grounding of the B727-200 and B737-200 fleets, the Company recorded a charge of \$271 million, reflecting the write-down of the fleets to fair value.

Due to the changes being implemented to United's operations, the Company has reviewed its fleet for impairment in accordance with SFAS No. 121. (See Note 1(n) "Summary of Significant Accounting Policies - Measurement of Impairments.") Management has determined that the estimated net undiscounted future cash flows generated by its B737-500 and B747-400 fleets will be less than their carrying value. Management estimated the undiscounted future cash flows utilizing models used by the Company in making fleet and scheduling decisions. These models were based upon projections of passenger yield, fuel costs, labor costs and other relevant factors in the markets where these aircraft will operate. The owned aircraft in each of these fleets were written down to their fair market values, as estimated by management using published sources, third-party appraisals and bids received from third parties. Accordingly, the special charge includes an impairment charge of \$517 million for these aircraft fleets resulting from the anticipated decrease in future cash flows.

Also included in the special charge is \$107 million relating to the write-off of capital projects no longer being pursued. Additionally, United has recorded a non-operating special charge of \$48 million relating to the write-down of residual values on certain non-operating equipment leased to others.

As a result of recording the above special charges related to aircraft and capital projects, depreciation and amortization expense will decrease by approximately \$80 million in 2002.

The Company has begun the process of furloughing approximately 20,000 employees across all work groups (pilots, flight attendants, mechanics, ramp service, customer service and management and salaried employees). In connection with the furloughs, United accrued severance costs of approximately \$217 million, including a one-time curtailment charge relating to the accelerated recognition of unrecognized prior service costs for certain of the Company's pension plans.

The special charge also includes \$181 million for amounts due under executory contracts with third parties, including aircraft manufacturers, software vendors, food suppliers and governmental authorities.

Since the announcement of the reduction in force, approximately 19,000 employees have been furloughed, separated, elected special leave of absence, or retired. Of this amount, approximately 4,200 employees are on special leave with full benefits for up to two years.

United had accrued \$134 million related to the reduction in force and \$181 million related to early termination fees at September 30, 2001. During the fourth quarter, United paid \$47 million in severance-related costs and \$10 million in early termination fees, bringing the accruals for the reduction in force and early termination fees to \$87 million and \$171 million, respectively, at December 31, 2001.

(3) Employee Stock Ownership Plans and Recapitalization

On July 12, 1994, the stockholders of UAL approved a plan of recapitalization to provide an approximately 55% equity interest in UAL to certain employees of United in exchange for wage concessions and work-rule changes. The employees' equity interest was allocated to individual employees through the year 2000 under ESOPs which were created as a part of the recapitalization.

The ESOPs cover employees represented by ALPA, the IAM and U.S. management and salaried employees and include a "Leveraged ESOP," a "Non-Leveraged ESOP" and a "Supplemental ESOP." Both the Leveraged ESOP and the Non-Leveraged ESOP are tax-qualified plans while the Supplemental ESOP is not a tax-qualified plan.

The equity interests were delivered to employees through two classes of preferred stock (Class 1 and Class 2 ESOP Preferred Stock, collectively "ESOP Preferred Stock"), and the voting interests were delivered through three separate classes of preferred stocks (Class P, M and S Voting Preferred Stock, collectively, "Voting Preferred Stock"). The Class 1 ESOP Preferred Stock was delivered to an ESOP trust in seven separate sales under the Leveraged ESOP, the last of which occurred on January 5, 2000. Based on Internal Revenue Code Limitations, shares of the Class 2 ESOP Preferred Stock were either contributed to the Non-Leveraged ESOP or allocated as "book entry" shares to the Supplemental ESOP annually through the year 2000. The classes of preferred stock are described more fully in Note 15 "ESOP Preferred Stock."

Shares of ESOP Preferred Stock were legally released or allocated to employee accounts as of year-end. The final allocation of shares occurred in March 2001 as follows: 669,966 shares of Class 1 ESOP Preferred Stock, 167,523 shares of Class 2 ESOP Preferred Stock and 834,726 shares of Voting Preferred Stock were allocated to employee accounts, and another 20,007 shares of Class 2 ESOP Preferred Stock were allocated in the form of "book entry" shares, effective December 31, 2000. In addition, during 2001, 152,620 shares of Class 2 ESOP Preferred Stock previously allocated in book entry form were issued and either contributed to the qualified plan or converted and sold on behalf of terminating employees.

For the Class 2 ESOP Preferred Stock committed to be contributed to employees under the Supplemental ESOP, employees can elect to receive their "book entry" shares in cash upon termination of employment. At December 31, 2001, there were 1,430,536 book entry shares outstanding under the Supplemental ESOP. The estimated fair value of such shares at December 31, 2001 and 2000 is reflected in the Statements of Consolidated Financial Position as discussed in Note 1(b) "Summary of Significant Accounting Policies - Changes in Accounting Principles."

(4) Other Income (Expense) - Miscellaneous

Included in Other income (expense) - "Miscellaneous, net" was \$(21) million, \$(22) million and \$4 million of foreign exchange gains (losses) in 2001, 2000 and 1999, respectively.

(5) Per Share Amounts

Basic earnings per share were computed by dividing net income before extraordinary item and cumulative effect by the weighted-average number of shares of common stock outstanding during the year and potential participating ESOP preferred shares in periods where such shares are dilutive using the if-converted method. In addition, diluted earnings per share amounts include potential common shares, including common shares issuable upon conversion of ESOP shares committed to be released.

<u>Earnings (Loss) Attributable to Common Stockholders (in millions)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net earnings (loss) before cumulative effect and extraordinary item	\$(2,137)	\$ 265	\$1,238
Preferred stock dividends	___(10)	___(46)	___(125)
Earnings (loss) attributable to common stockholders (Basic and Diluted)	<u>\$(2,147)</u>	<u>\$ 219</u>	<u>\$1,113</u>
 <u>Shares (in millions)</u>			
Weighted average shares outstanding	53.8	51.3	52.3
Participating convertible ESOP preferred stock	___-	<u>57.0</u>	<u>49.0</u>
Weighted average number of shares (Basic)	53.8	108.3	101.3
Non-participating convertible ESOP preferred stock	-	7.5	9.0
Other	___-	<u>0.7</u>	<u>1.3</u>
Weighted average number of shares (Diluted)	<u>53.8</u>	<u>116.5</u>	<u>111.6</u>

Earnings (Loss) Per Share (before cumulative effect and extraordinary

<u>item)</u>				
Basic		\$(39.90)	\$ 2.02	\$10.99
Diluted		\$(39.90)	\$ 1.89	\$ 9.97

At December 31, 2001, stock options to purchase 10,744,224 shares of common stock were outstanding, but were not included in the computation of diluted earnings per share, because the exercise price of these options was greater than the average market price of the common shares. In addition, 61,052,600 shares of convertible ESOP preferred stock were not included in the computation of diluted earnings per share, as the result would be antidilutive.

(6) Investments

At December 31, 2000, United owned 15,940,000 shares (18%) in Galileo, a leading provider of electronic global distribution services for the travel industry. On October 1, 2001, Cendant Corporation ("Cendant") acquired all of the outstanding common stock of Galileo for a combination of stock and cash. Accordingly, United tendered all of its shares in Galileo for net proceeds of \$65 million and 21,168,320 shares in Cendant, resulting in a gain of \$155 million, net of tax. Subsequent to the acquisition by Cendant and prior to December 31, United sold 14 million shares of Cendant common stock for net proceeds of \$194 million, resulting in a gain of \$11 million, net of tax. During January 2002, United sold its remaining investment in Cendant for net proceeds of \$137 million, resulting in a gain of approximately \$29 million, net of tax.

At December 31, 2001, United had \$113 million in trust under a prior services agreement with Galileo. The revenues from the agreement were earned and recorded in 1999, 2000 and 2001 and the payout of the trust will occur in July 2002.

In June 1999, United sold 17,500,000 common shares of Galileo in a secondary offering for \$766 million, resulting in a gain of \$428 million, net of tax.

At December 31, 2000, United owned 1,391,791 depository certificates in Equant, a provider of international data network services to multinational businesses and a single source for global desktop communications. On June 29, 2001, France Telecom acquired all of the outstanding shares of Equant in an exchange of one France Telecom share for every 2.2 Equant shares. At December 31, 2001, the estimated fair value of United's investment in France Telecom was approximately \$25 million.

In December 1999, United sold 709,000 shares of common stock in Equant in a secondary offering by Equant for \$62 million, resulting in a gain of \$40 million, net of tax.

During 2000 and 2001, UAL Loyalty Services ("ULS"), a wholly owned subsidiary of UAL, has invested approximately \$51 million in Orbitz, an Internet travel web site. UAL Loyalty Services owns approximately 22% of Orbitz and accounts for this investment using the equity method of accounting.

During 1998 and 1999, United invested approximately \$51 million in GetThere.com (a leading provider of Internet-based travel planning products tailored to individual, corporate, travel supplier and travel agency customers) resulting in a 28% minority interest consisting of common stock, warrants and options. United accounted for its investment in GetThere.com using the equity method of accounting. On October 6, 2000, Sabre Holdings Corporation acquired all of the outstanding common stock of GetThere.com for \$17.75 per share. Accordingly, after converting its options and warrants, United tendered all of its shares for net proceeds of \$147 million, resulting in a gain of approximately \$69 million, net of tax.

During 2000, United recorded an impairment loss of \$38 million, net of tax, related to its warrants held in Priceline.com.

(7) Acquisitions

On July 18, 2001, ULS successfully completed its cash tender offer to acquire all of the outstanding common stock of MyPoints.com for \$2.60 per share. MyPoints.com is a leading Internet direct marketing and membership services company, known for its database-driven loyalty infrastructure. The merger is expected to provide more effective communication with users of united.com and Mileage Plus members, as well as allow greater reach to an expanded audience of potential customers. Including the costs related to vested management stock options, outstanding warrants and transaction-related expenditures, the aggregate cost of the acquisition was approximately \$118 million. The preliminary purchase price allocation has assigned approximately \$32 million to goodwill and intangible assets, pending final determination of certain acquired balances. This transaction is being accounted for under the purchase method, in accordance with SFAS No. 141.

(8) Income Taxes

In 2001, UAL incurred both a regular and an AMT loss. The carryback of the regular tax loss and the AMT loss to 1999 will produce both federal and state refunds and reduce AMT credits. The primary differences between UAL's regular tax loss and AMT loss are the depreciation adjustments and preferences.

The provision for income taxes is summarized as follows:

<u>(In millions)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Current -			

Federal	\$ (82)	\$ (133)	\$ 93
State	<u>-</u>	<u>(24)</u>	<u>16</u>
	<u>(82)</u>	<u>(157)</u>	<u>109</u>
Deferred -			
Federal	(1,048)	278	536
State	<u>(96)</u>	<u>39</u>	<u>54</u>
	<u>(1,144)</u>	<u>317</u>	<u>590</u>
	<u>\$ (1,226)</u>	<u>\$ 160</u>	<u>\$ 699</u>

The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows:

<u>(In millions)</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Income tax provision at statutory rate	\$(1,175)	\$ 151	\$ 680
State income taxes, net of federal income tax benefit	(62)	10	46
ESOP dividends	(17)	(32)	(40)
Nondeductible employee meals	18	24	24
Other, net	<u>10</u>	<u>7</u>	<u>(11)</u>
	<u>\$(1,226)</u>	<u>\$ 160</u>	<u>\$ 699</u>

Temporary differences and carryforwards that give rise to a significant portion of deferred tax assets and liabilities for 2001 and 2000 are as follows:

<u>(In millions)</u>	<u>2001</u>		<u>2000</u>	
	Deferred Tax	Deferred Tax	Deferred Tax	Deferred Tax
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Employee benefits, including postretirement medical and ESOP	\$ 1,329	\$ 80	\$ 1,076	\$ 214
Depreciation, capitalized interest and transfers of tax benefits	-	3,180	-	3,009
Federal and state net operating loss carryforwards	1,162	-	43	-
Mileage Plus deferred revenue	171	-	132	-
Gains on sale and leasebacks	275	-	307	-
Rent expense	462	-	461	-
AMT credit carryforwards	255	-	371	-
Other	939	958	837	1,020
Less: State net operating loss valuation allowance	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,587</u>	<u>\$ 4,218</u>	<u>\$ 3,227</u>	<u>\$ 4,243</u>

The Company has determined, based on its history of operating earnings and expectations of future taxable income, that it is more likely than not that the deferred tax assets at December 31, 2001 will be realized.

At December 31, 2001, UAL and its subsidiaries had \$255 million of federal AMT credits and \$1.2 billion of federal and state net operating losses which may be carried forward to reduce the tax liabilities of future years. State net operating losses were reduced by a valuation allowance for those states with carryforward periods of seven years or less, for which it is more likely than not that expiration will occur before utilization.

(9) Other Comprehensive Income

The following table presents the tax effect of those items included in other comprehensive income:

(In millions)	Year Ended December 31								
	2001			2000			1999		
	Tax		Net of	Tax		Net of	Tax		Net of
	Pre-Tax	Effect	Tax	Pre-Tax	Effect	Tax	Pre-Tax	Effect	Tax
Unrealized holding gains (losses) on investments arising during period	\$ 79	\$ (29)	\$ 50	\$ (297)	\$ 101	\$ (196)	\$ 547	\$ (193)	\$ 354
Less: reclassification adjustment for gains included in net income	<u>261</u>	<u>(95)</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net unrealized holding gains (losses)	(182)	66	(116)	(297)	101	(196)	547	(193)	354
Unrealized losses on derivatives	(72)	26	(46)	-	-	-	-	-	-
Minimum pension liability	<u>(418)</u>	<u>153</u>	<u>(265)</u>	<u>(6)</u>	<u>2</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other comprehensive income	<u>\$ (672)</u>	<u>\$ 245</u>	<u>\$ (427)</u>	<u>\$ (303)</u>	<u>\$ 103</u>	<u>\$ (200)</u>	<u>\$ 547</u>	<u>\$ (193)</u>	<u>\$ 354</u>

Unrealized gains (losses) on securities primarily represent gains (losses) on the Company's investments in Galileo, Cendant and France Telecom as discussed in Note 6 "Investments."

(10) Short-Term Borrowings

At December 31, 2001, United had outstanding \$133 million in short-term borrowings, bearing an average interest rate of 2.80%. Receivables amounting to \$145 million were pledged by United to secure repayment of such outstanding borrowings.

(11) Long-Term Debt

A summary of long-term debt, including current maturities, as of December 31 is as follows (interest rates are as of December 31, 2001):

(In millions)	2001	2000
Secured notes, 2.30% to 9.83%, averaging 5.78%, due through 2014	\$ 6,708	\$ 3,417
Debentures, 9.00% to 11.21%, averaging 9.89%, due through 2021	646	646
Commercial paper, 6.71%, due through 2003	-	549
Special facility bonds, 5.63% to 6.38%, averaging 5.90%, due through 2034	<u>493</u>	<u>255</u>
	<u>7,847</u>	<u>4,867</u>
Less: Unamortized discount on debt	(8)	(9)
Current maturities	<u>(1,217)</u>	<u>(170)</u>
	<u>\$ 6,622</u>	<u>\$ 4,688</u>

See [Item 7A. Quantitative and Qualitative Disclosures About Market Risk](#) for disclosures regarding the fair values of debt.

In addition to scheduled principal payments, in 2000 and 1999 the Company repaid \$116 million and \$23 million, respectively, in principal amount of debentures prior to maturity. The debentures were scheduled to mature at various times through 2021. Extraordinary losses of \$6 million and \$3 million, respectively, net of tax benefits of \$4 million and \$2 million, respectively, was recorded reflecting amounts paid in excess of the debt carrying value.

The Company, through a special-purpose financing entity that is consolidated, issued commercial paper which was originally classified as long-term debt. The proceeds from the commercial paper were used to refinance certain equipment certificates supporting leveraged lease transactions. During 2001, the Company terminated this transaction using proceeds from an interim bank facility to pay off the commercial paper. Subsequent to December 31, 2001, the Company refinanced the interim bank facility to long-term and now classifies the debt as a long-term obligation in the Company's statement of financial position.

In July 2000, the Company issued \$921 million in enhanced equipment trust certificates ("EETCs") to refinance certain owned aircraft and aircraft under operating leases. Net proceeds after refinancing the operating leases was \$622 million. In December 2000, the Company issued an additional \$1.5 billion in EETCs to refinance certain owned aircraft and in August 2001, the Company issued \$1.5 billion in EETCs to finance certain owned aircraft. Also during 2001, the Company issued \$1.0 billion in long-term debt to finance the acquisition of aircraft.

At December 31, 2001, United had recorded \$493 million in special facilities revenue bonds to finance the acquisition and construction of certain facilities at Los Angeles, San Francisco, Miami and Chicago. United guarantees the payment of these bonds under various payment and loan agreements. The bond proceeds are restricted to expenditures on the facilities and unspent amounts are classified as other assets in the balance sheet.

At December 31, 2001, United had outstanding a total of \$2.7 billion of debt at variable rates from 2.30% to 6.35% based on specified spreads over LIBOR.

Maturities of long-term debt for each of the four years after 2002 are: 2003 - \$296 million; 2004 - \$927 million; 2005 - \$330 million; and 2006 - \$320 million. Various assets, principally aircraft, having an aggregate book value of \$5.5 billion at December 31, 2001, were pledged as security under various loan agreements.

(12) Lease Obligations

The Company leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, real estate, office and computer equipment and vehicles.

Future minimum lease payments as of December 31, 2001, under capital leases (substantially all of which are for aircraft) and operating leases having initial or remaining noncancelable lease terms of more than one year are as follows:

<u>(In millions)</u>	<u>Operating Leases</u>		<u>Capital</u>
	<u>Aircraft</u>	<u>Non-aircraft</u>	<u>Leases</u>
Payable during -			
2002	\$ 927	\$ 653	\$ 413
2003	975	597	315
2004	1,011	580	323
2005	1,025	568	292
2006	1,032	546	317
After 2006	<u>8,509</u>	<u>8,115</u>	<u>1,501</u>
Total minimum lease payments	<u>\$ 13,479</u>	<u>\$11,059</u>	3,161
Imputed interest (at rates of 5.3% to 12.2%)			<u>(981)</u>
Present value of minimum lease payments			2,180
Current portion			<u>(237)</u>
Long-term obligations under capital leases			<u>\$ 1,943</u>

As of December 31, 2001, United leased 300 aircraft, 69 of which were under capital leases. These leases have terms of 10 to 26 years, and expiration dates range from 2002 through 2020. Under the terms of all leases, United has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others at fair market value or a percentage of cost. The present value of United's future minimum lease payments under operating leases for aircraft and non-aircraft was \$6.6 billion and \$4.4 billion, respectively, at December 31, 2001.

In connection with the financing of certain aircraft accounted for as capital leases, United had on deposit at December 31, 2001 an aggregate 41 billion yen (\$314 million), 667 million German marks (\$304 million), 71 million French francs (\$10 million), 30 million euro (\$26 million) and \$13 million in certain banks and had pledged an irrevocable security interest in such deposits to certain of the aircraft lessors. These deposits will be used to pay off an equivalent amount of recorded capital lease obligations.

Amounts charged to rent expense, net of minor amounts of sublease rentals, were \$1.4 billion in 2001, \$1.5 billion in 2000 and \$1.4 billion in 1999. Included in 2001 rental expense was \$6 million in contingent rentals, resulting from changes in interest rates for operating leases under which the rent payments are based on variable interest rates.

(13) Company-Obligated Mandatorily Redeemable Preferred Securities of a Subsidiary Trust

In December 1996, UAL Corporation Capital Trust I (the "Trust") issued \$75 million of its 13 1/4% Trust Originated Preferred Securities (the "Preferred Securities") in exchange for 2,999,304 depository shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock (see Note 14 "Serial Preferred Stock"). Concurrent with the issuance of the Preferred Securities and the related purchase by UAL of the Trust's common securities, the Company issued to the Trust \$77 million aggregate principal amount of its 13 1/4% Junior Subordinated Debentures (the "Debentures") due 2026. The Debentures are and will be the sole assets of the Trust. The interest and other payment dates on the Debentures correspond to the distribution and other payment dates on the Preferred Securities. Upon maturity or redemption of the Debentures, the Preferred Securities will be mandatorily redeemed. The Debentures are redeemable at UAL's option, in whole or in part, on or after July 12, 2004, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to the redemption date. Upon the repayment of the Debentures, the proceeds thereof will be applied to redeem the Preferred Securities.

There is a full and unconditional guarantee by UAL of the Trust's obligations under the securities issued by the Trust. However, the Company's obligations are subordinate and junior in right of payment to certain other of its indebtedness. UAL has the right to defer payments of interest on the Debentures by extending the interest payment period, at any time, for up to 20 consecutive quarters. If interest payments on the Debentures are so deferred, distributions on the Preferred Securities will also be deferred. During any deferral, distributions will continue to accrue with interest thereon. In addition, during any such deferral, UAL may not declare or pay any dividend or other distribution on, or redeem or purchase, any of its capital stock.

The fair value of the Preferred Securities at December 31, 2001 and 2000 was \$57 million and \$85 million, respectively.

(14) Serial Preferred Stock

At December 31, 2001, UAL had outstanding 3,203,177 depository shares, each representing 1/1000 of one share of Series B 12 1/4% preferred stock, with a liquidation preference of \$25 per depository share (\$25,000 per Series B preferred share) and a stated capital of \$0.01 per Series B preferred share. Under its terms, any portion of the Series B preferred stock or the depository shares is redeemable for cash after July 11, 2004, at UAL's option, at the equivalent of \$25 per depository share, plus accrued dividends. The Series B preferred stock is not convertible into any other securities, has no stated maturity and is not subject to mandatory redemption.

The Series B preferred stock ranks senior to all other preferred and common stock outstanding, except the Preferred Securities, as to receipt of dividends and amounts distributed upon liquidation. The Series B preferred stock has voting rights only to the extent required by law and with respect to charter amendments that adversely affect the preferred stock or the creation or issuance of any security ranking senior to the preferred stock. Additionally, if dividends are not paid for six cumulative quarters, the Series B preferred stockholders are entitled to elect two additional members to the UAL Board of Directors until all dividends are paid in full. Pursuant to UAL's restated certificate of incorporation, UAL is authorized to issue a total of 50,000 shares of Series B preferred stock.

UAL is authorized to issue up to 15,986,584 additional shares of serial preferred stock.

(15) ESOP Preferred Stock

The following activity related to UAL's outstanding ESOP preferred stocks (see Note 3 for a description of the ESOPs):

	<u>Class 1 ESOP</u>	<u>Class 2 ESOP</u>	<u>ESOP Voting</u>
Balance December 31, 1998	<u>10,451,369</u>	<u>867,322</u>	<u>10,008,755</u>
Shares issued	1,955,756	227,689	3,073,969
Converted to common	<u>(306,662)</u>	<u>(146,975)</u>	<u>(457,401)</u>
Balance December 31, 1999	<u>12,100,463</u>	<u>948,036</u>	<u>12,625,323</u>
Shares issued	539,177	855,998	3,073,968
Converted to common	<u>(420,958)</u>	<u>(283,428)</u>	<u>(710,056)</u>
Balance December 31, 2000	<u>12,218,682</u>	<u>1,520,606</u>	<u>14,989,235</u>
Shares issued	-	692,811	857,496
Converted to common	<u>(359,780)</u>	<u>(239,705)</u>	<u>(603,107)</u>
Balance December 31, 2001	<u>11,858,902</u>	<u>1,973,712</u>	<u>15,243,624</u>

An aggregate of 17,675,345 shares of Class 1 and Class 2 ESOP Preferred Stock was issued to employees under the ESOPs. Each share of ESOP Preferred Stock is convertible into four shares of UAL common stock. Shares typically are converted to common as employees retire or otherwise leave the Company. The stock has a par value of \$0.01 per share and is nonvoting. The Class 1 and Class 2 ESOP Preferred Stocks have a liquidation value of \$126.96 per share. The Class 1 ESOP Preferred Stock provided a fixed annual dividend of \$8.8872 per share, which ceased on March 31, 2000; the Class 2 does not pay a fixed dividend.

Class P, M and S Voting Preferred Stocks were established to provide the voting power to the employee groups participating in the ESOPs. Additional Voting Preferred Stock was issued as shares of the Class 1 and Class 2 ESOP Preferred Stock were allocated to employees. In the aggregate, 17,675,345 shares of Voting Preferred Stock were issued through the year 2000. The Voting Preferred Stock outstanding at any time commands voting power for approximately 55% of the vote of all classes of capital stock in all matters requiring a stockholder vote, other than for the election of members of the Board of Directors. The Voting Preferred Stock has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and is convertible into .0004 shares of UAL common stock.

Class Pilot MEC, IAM, SAM and I junior preferred stock (collectively "Director Preferred Stocks") were established to effectuate the election of one or more members to UAL's Board of Directors. One share each of Class Pilot MEC and Class IAM junior preferred stock is authorized and issued. The Company is authorized to issue ten shares each of Class SAM and Class I junior preferred stock. There are three shares of Class SAM and four shares of Class I issued. Each of the Director Preferred Stocks has a par value and liquidation preference of \$0.01 per share. The stock is not entitled to receive any dividends and Class I will be redeemed automatically upon the transfer of the shares to any person not elected to the Board of Directors or upon the occurrence of the "Sunset." (See "Corporate Governance and the ESOPs" in Item 1. Business.)

(16) Common Stockholders' Equity

Changes in the number of shares of UAL common stock outstanding during the years ended December 31 were as follows :

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Shares outstanding at beginning of year	52,538,692	50,776,583	51,804,653
Stock options exercised	34,000	187,400	939,262
Shares issued from treasury under			
compensation arrangements	53,242	32,458	89,745
Shares acquired for treasury	(40,097)	(1,326,877)	(3,877,912)
Forfeiture of restricted stock	-	(5,800)	(5,800)
Conversion of ESOP preferred stock	2,398,184	2,817,829	1,814,731
Other	<u>157</u>	<u>57,099</u>	<u>11,904</u>
Shares outstanding at end of year	<u>54,984,178</u>	<u>52,538,692</u>	<u>50,776,583</u>

During 2000 and 1999, the Company repurchased 1,258,263 and 3,754,802 shares of common stock, respectively, at a total purchase price of \$81 million and \$261 million, respectively.

(17) Stock Options and Awards

The Company has granted options to purchase common stock to various officers and employees. The option price for all stock options is at least 100% of the fair market value of UAL common stock at the date of grant. Options generally vest and become exercisable in four equal, annual installments beginning one year after the date of grant, and generally expire in ten years.

The Company has also awarded shares of restricted stock to officers and key employees. These shares generally vest over a five-year period and are subject to certain transfer restrictions and forfeiture under certain circumstances prior to vesting. Unearned compensation, representing the fair market value of the stock at the measurement date for the award, is amortized to salaries and related costs over the vesting period. During 2000 and 1999, respectively, 23,000 and 75,000 shares of restricted stock were issued from treasury. No shares were issued in 2001. As of December 31, 2001, 93,400 shares were restricted and unvested. Additionally, 266,423 shares were reserved for future awards under the plan.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") establishes a fair value based method of accounting for stock options. The Company has elected to continue using the intrinsic value method of accounting prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123. Had compensation cost for awards been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have instead been reported as the pro forma amounts indicated below:

In millions (except per share)		<u>2001</u>	<u>2000</u>	<u>1999</u>
Net earnings (loss)	As reported	\$ (2,145)	\$ 50	\$ 1,235
	Pro forma	\$ (2,161)	\$ 33	\$ 1,219
Basic net earnings (loss) per share	As reported	\$ (40.04)	\$ 0.04	\$10.96
	Pro forma	\$ (40.34)	\$(0.10)	\$10.80
Diluted net earnings (loss) per share	As reported	\$ (40.04)	\$ 0.04	\$ 9.94
	Pro forma	\$ (40.34)	\$(0.10)	\$ 9.79

The weighted-average grant date fair value of restricted shares issued was \$51.83 for shares issued in 2000 and \$69.51 for shares issued in 1999. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Risk-free interest rate	6.4%	6.4%	5.2%
Dividend yield	2.4%	2.4%	0.0%
Volatility	36.0%	35.0%	34.0%

Expected life (years)	4.0	4.0	4.0
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The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

During 2001, the Company issued stock options to Mr. Creighton as of his employment date, in lieu of other compensation. These stock options were granted in October 2001 and vest ratably over six months from the date of grant. Accordingly, the assumptions used to calculate the fair value of these options were as follows: risk-free interest rate of 4.5%, dividend yield of 0%, volatility of 46.0% and an expected life of four years. These options are included in the tables below.

Stock option activity for the past three years was as follows:

	<u>2001</u>		<u>2000</u>		<u>1999</u>	
	Shares	Wtd. Avg. Exer. Price	Shares	Wtd. Avg. Exer. Price	Shares	Wtd. Avg. Exer. Price
Outstanding at beginning of year	7,660,472	\$ 52.78	6,666,409	\$ 52.42	5,648,786	\$ 43.96
Granted	3,178,500	\$ 34.50	1,447,600	\$ 53.24	2,081,600	\$ 64.29
Exercised	(34,000)	\$ 20.72	(187,400)	\$ 23.96	(939,262)	\$ 25.42
Terminated	<u>(60,748)</u>	\$ 54.05	<u>(266,137)</u>	\$ 67.50	<u>(124,715)</u>	\$ 70.74
Outstanding at end of year	10,744,224	\$ 47.44	7,660,472	\$ 52.78	6,666,409	\$ 52.42
Options exercisable at year-end	5,507,581	\$ 48.72	4,200,748	\$ 44.54	3,392,910	\$ 37.26
Reserved for future grants at year-end	5,162,579		8,280,331		1,466,019	
Wtd avg fair value of options granted during the year	\$ 11.90		\$ 17.80		\$ 22.31	

The following information related to stock options outstanding as of December 31, 2001:

Range of Exercise Prices	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Outstanding at December 31, 2001	Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable at December 31, 2001	Weighted-Average Exercise Price
\$ 10 to 29	2,299,540	3.8 years	\$ 21.26	2,032,874	\$ 22.15
\$ 30 to 45	2,824,700	9.0 years	\$ 37.47	68,800	\$ 41.12
\$ 46 to 59	2,443,947	6.5 years	\$ 53.33	1,398,372	\$ 53.36
\$ 60 to 69	1,808,300	7.2 years	\$ 62.76	930,175	\$ 62.78
\$ 70 to 92	<u>1,367,737</u>	6.3 years	\$ 81.28	<u>1,077,360</u>	\$ 81.20
	10,744,224			5,507,581	

(18) Retirement and Postretirement Plans

The Company has various retirement plans, both defined benefit and defined contribution, which cover substantially all employees. The Company also provides certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to retirees. The Company has reserved the right, subject to collective bargaining agreements, to modify or terminate the health care and life insurance benefits for both current and future retirees.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in the statement of financial position for the defined benefit and other postretirement plans as of December 31:

(In millions)

<u>Change in Benefit Obligation</u>	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Benefit obligation at beginning of year	\$ 9,252	\$ 7,381	\$ 1,706	\$ 1,465
Service cost	352	269	68	47
Interest cost	722	629	149	120
Plan participants' contributions	1	1	11	8
Amendments	4	260	-	3
Actuarial (gain) loss	284	1,162	473	164
Curtailements	13	-	69	-
Foreign currency exchange rate changes	(15)	(15)	-	-
Benefits paid	<u>(518)</u>	<u>(435)</u>	<u>(117)</u>	<u>(101)</u>
Benefit obligation at end of year	<u>\$ 10,095</u>	<u>\$ 9,252</u>	<u>\$ 2,359</u>	<u>\$ 1,706</u>

<u>Change in Plan Assets</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	Fair value of plan assets at beginning of year	\$ 8,511	\$ 8,701	\$ 116
Actual return on plan assets	(457)	21	7	8
Employer contributions	43	230	101	88
Plan participants' contributions	1	1	11	8
Foreign currency exchange rate changes	(5)	(7)	-	-
Benefits paid	<u>(518)</u>	<u>(435)</u>	<u>(117)</u>	<u>(101)</u>
Fair value of plan assets at end of year	<u>\$ 7,575</u>	<u>\$ 8,511</u>	<u>\$ 118</u>	<u>\$ 116</u>
Funded status	\$(2,520)	\$ (741)	\$(2,241)	\$(1,590)
Unrecognized actuarial (gains) losses	1,508	14	484	(54)
Unrecognized prior service costs	692	806	2	2
Unrecognized net transition obligation	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net amount recognized	<u>\$ (305)</u>	<u>\$ 79</u>	<u>\$(1,755)</u>	<u>\$(1,642)</u>

Amounts recognized in the statement of <u>financial position consist of:</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	Prepaid (accrued) benefit cost	\$ (305)	\$ 79	\$(1,755)
Accrued benefit liability	(991)	(266)	-	-
Intangible asset	562	255	-	-
Accumulated other comprehensive income	<u>429</u>	<u>11</u>	<u>-</u>	<u>-</u>
Net amount recognized	<u>\$ (305)</u>	<u>\$ 79</u>	<u>\$(1,755)</u>	<u>\$(1,642)</u>

<u>Weighted-average assumptions</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.75%	9.75%	8.00%	8.00%
Rate of compensation increase	4.20%	4.36%	-	-

The assumed health care cost trend rate for gross claims paid was 8.0% for 2002 decreasing to an ultimate rate of 4.5% in 2006. The rate used for 2001 was 4.5%.

The net periodic benefit cost included the following components:

<u>(In millions)</u>	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Service cost	\$ 352	\$ 269	\$ 295	\$ 68	\$ 47	\$ 53

Interest cost	722	629	583	149	120	116
Expected return on plan assets	(805)	(740)	(665)	(9)	(9)	(9)
Amortization of prior service cost						
including transition obligation/(asset)	73	58	57	-	-	-
Curtailment charge	74	-	-	4	-	-
Recognized actuarial (gain)/loss	<u>16</u>	<u>(7)</u>	<u>1</u>	<u>2</u>	<u>(9)</u>	<u>(5)</u>
Net period benefit costs	<u>\$ 432</u>	<u>\$ 209</u>	<u>\$ 271</u>	<u>\$ 214</u>	<u>\$ 149</u>	<u>\$ 155</u>

Total pension expense for all retirement plans (including defined contribution plans) was \$629 million in 2001, \$302 million in 2000 and \$285 million in 1999.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the plans with accumulated benefit obligations in excess of plan assets were \$10.1 billion, \$8.9 billion and \$7.6 billion, respectively, as of December 31, 2001 and \$1.0 billion, \$632 million and \$61 million, respectively, as of December 31, 2000.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care trend rate would have the following effects:

<u>(In millions)</u>	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost	\$ 36	\$ (29)
Effect on postretirement benefit obligation	\$ 323	\$ (264)

Changes in interest rates or rates of inflation may impact the assumptions used in the valuation of pension obligations and postretirement obligations including discount rates and rates of increase in compensation, resulting in increases or decreases in United's pension and postretirement liabilities and pension and postretirement costs.

(19) Financial Instruments and Risk Management

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk ("Item 7A") for a discussion of the Company's foreign currency and fuel price risk management activities, and the fair value of all significant financial instruments.

Credit Exposures of Derivatives

The Company's theoretical risk in the derivative financial instruments described in Item 7A is the cost of replacing the contracts at current market rates in the event of default by any of the counterparties. However, the Company does not anticipate such default as counterparties are selected based on credit ratings and the relative market positions with each counterparty are monitored.

Financial Guarantees

Special facility revenue bonds have been issued by certain municipalities to build or improve airport and maintenance facilities leased by United. Under the lease agreements, United is required to make rental payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. At December 31, 2001, \$1.2 billion principal amount of such bonds was outstanding. As of December 31, 2001, UAL and United had jointly guaranteed \$35 million of such bonds and United had guaranteed \$1.2 billion of such bonds, including accrued interest. The payments required to satisfy these obligations are included in the future minimum lease payments disclosed in Note 12 "Lease Obligations."

At December 31, 2001, United guaranteed approximately \$100 million of third-party debt.

Concentrations of Credit Risk

The Company does not believe it is subject to any significant concentration of credit risk. Most of the Company's receivables result from sales of tickets to individuals through geographically dispersed travel agents, including on-line agencies, Company outlets, corporate travel departments or other airlines, often through the use of major credit cards. These receivables are short term, generally being settled shortly after the sale.

(20) Commitments, Contingent Liabilities and Uncertainties

The Company has certain contingencies resulting from litigation and claims (including environmental issues) incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the views of legal counsel, the nature of contingencies to which the Company is subject and its prior experience, that the ultimate disposition of these contingencies is not expected to materially affect UAL's consolidated financial position or results of operations. UAL records liabilities for legal and environmental claims against it in accordance with generally accepted accounting principles. These amounts are recorded based on the Company's assessments of the likelihood of their eventual settlements. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims.

At December 31, 2001, commitments for the purchase of property and equipment, principally aircraft, approximated \$2.8 billion, after deducting advance payments. An estimated \$1.2 billion will be spent in 2002, \$0.1 billion in 2003, \$0.5 billion in 2004 and \$1.0 in 2005 and thereafter. The major commitments are for the purchase of A319, A320 and B777 aircraft, which are scheduled to be delivered through 2007. These commitments take into account the previously announced deferral of future aircraft deliveries for 2002 and 2003 from the originally planned 67 aircraft to 24 aircraft.

In connection with the construction of the Indianapolis Maintenance Center, United agreed to spend an aggregate \$800 million on capital investments by the year 2001 and employ at least 7,500 individuals by the year 2004. In the event such targets are not reached, United may be required to make certain payments to the city of Indianapolis and state of Indiana. As a result of the events of September 11 and the subsequent reduction in the Company's operations and capital spending, United became obligated to refund approximately \$32 million to the state and local governments during the second quarter of 2002. This amount is included in "Other Accrued Liabilities" on the Statement of Consolidated Financial Position at December 31, 2001.

Approximately 80% of United's employees are represented by various labor organizations. The contracts with ALPA and the AFA become amendable in 2004 and 2006, respectively.

(21) Segment Information

United has a global route network designed to transport passengers and cargo between destinations in North America, the Pacific, the Atlantic and Latin America. These regions constitute United's four reportable segments. The accounting policies for each of these segments are the same as those described in Note 1 "Summary of Significant Accounting Policies," except that segment financial information has been prepared using a management approach which is consistent with how the Company's management internally disaggregates financial information for the purpose of making internal operating decisions. UAL evaluates performance based on United's earnings before income taxes, special charges and gains on sales. Revenues are attributed to each reportable segment based on the allocation guidelines provided by the DOT, which classifies flights between the U.S. and foreign destinations as part of each respective region. A reconciliation of the total amounts reported by reportable segments to the applicable amounts in the financial statements follows:

<u>(In millions)</u>	<u>Year Ended December 31, 2001</u>						
	North				Latin America		Consolidated
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	Segment <u>Total</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 10,664	\$ 2,663	\$ 2,081	\$ 679	\$ 16,087	\$ 51	\$ 16,138
Interest income	63	16	12	4	95	10	105
Interest expense	329	81	101	29	540	(15)	525
Equity in earnings (losses)							
of affiliates	4	1	1	-	6	(29)	(23)
Depreciation and amortization	689	161	153	18	1,021	5	1,026
Earnings before income taxes,							
special charges and gains on							
sales and stabilization grant	(1,771)	(580)	(386)	(141)	(2,878)	85	(2,793)

<u>(In millions)</u>	<u>Year Ended December 31, 2000</u>						
	North				Latin America		Consolidated
	<u>America</u>	<u>Pacific</u>	<u>Atlantic</u>	<u>America</u>	Segment <u>Total</u>	<u>Other</u>	<u>Total</u>
Revenue	\$ 13,094	\$ 3,161	\$ 2,260	\$ 816	\$ 19,331	\$ 21	\$ 19,352
Interest income	55	23	16	5	99	2	101
Interest expense	234	95	66	21	416	(14)	402
Equity in losses of affiliates	(5)	(2)	(1)	-	(8)	(4)	(12)
Depreciation and amortization	628	176	141	43	988	-	988
Earnings before income taxes,							
special charges and gains on sales	285	73	108	12	478	44	522

(In millions)	Year Ended December 31, 1999						
	North			Latin		Reportable	Consolidated
	America	Pacific	Atlantic	America	Total	Other	
Revenue	\$ 12,516	\$ 2,691	\$ 1,973	\$ 787	\$ 17,967	\$ 60	\$ 18,027
Interest income	40	14	10	4	68	-	68
Interest expense	217	79	55	21	372	(10)	362
Equity in earnings of affiliates	21	9	5	2	37	-	37
Depreciation and amortization	548	145	115	42	850	-	850
Earnings before income taxes, special charges and gains on sales	899	85	166	21	1,171	57	1,228

(In millions)	2001	2000	1999
Total earnings for reportable segments	\$ (2,878)	\$ 478	\$ 1,171
Special charges	(1,428)	(139)	(17)
Non-operating special charges	(49)	(61)	-
Airline stabilization grant	652	-	-
Gains on sales	261	109	731
UAL subsidiary earnings	<u>85</u>	<u>44</u>	<u>57</u>
Total earnings (loss) before income taxes, distributions on preferred securities, extraordinary item and cumulative effect	\$ <u>(3,357)</u>	\$ <u>431</u>	\$ <u>1,942</u>

UAL's operations involve an insignificant level of dedicated revenue producing assets by reportable segment. The overwhelming majority of UAL's revenue producing assets can be deployed in any of the four reportable segments. UAL has significant intangible assets related to the acquisition of its Atlantic and Latin America route authorities. During 2001, the FASB issued SFAS No. 142 which could impact the Company's accounting for these assets. For further details, see *Other Information*, "New Accounting Pronouncements" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

(22) Statement of Consolidated Cash Flows - Supplemental Disclosures

Supplemental disclosures of cash flow information and non-cash investing and financing activities were as follows:

(In millions)	2001	2000	1999
Cash paid during the year for:			
Interest (net of amounts capitalized)	\$ 393	\$ 298	\$ 260
Income taxes	42	23	296
Acquisition of MyPoints.com:			
Fair value of:			
Assets acquired	151	-	-
Liabilities assumed	<u>(33)</u>	-	-
Cash paid	118	-	-
Less cash acquired	<u>(86)</u>	-	-
Net cash paid for acquisitions	32	-	-

Non-cash transactions:

Capital lease obligations incurred	-	339	482
Long-term debt incurred in connection			
with additions to equipment	669	32	-
Increase (decrease) in pension intangible assets	307	107	(123)
Net unrealized gain (loss) on investments	(173)	(196)	354

(23) Selected Quarterly Financial Data (Unaudited)

<u>(In millions, except per share)</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	
	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Year</u>
2001:					
Operating revenues	\$ 4,424	\$ 4,658	\$ 4,107	\$ 2,949	\$ 16,138
Loss from operations	(391)	(469)	(2,025)	(886)	(3,771)
Loss before cumulative effect	(305)	(365)	(1,159)	(308)	(2,137)
Cumulative effect of accounting change, net	(8)	-	-	-	(8)
Net loss	\$ (313)	\$ (365)	\$ (1,159)	\$ (308)	\$ (2,145)
Per share amounts, basic and diluted:					
Loss before cumulative effect	\$ (5.82)	\$ (6.87)	\$ (21.43)	\$ (5.68)	\$ (39.90)
Cumulative effect of accounting change, net	(0.15)	-	-	-	(0.14)
Net loss	\$ (5.97)	\$ (6.87)	\$ (21.43)	\$ (5.68)	\$ (40.04)
2000:					
Operating revenues	\$ 4,546	\$ 5,109	\$ 4,905	\$ 4,792	\$ 19,352
Earnings (loss) from operations	252	605	(41)	(162)	654
Earnings (loss) before extraordinary item					
and cumulative effect	110	336	(110)	(71)	265
Extraordinary loss on early					
extinguishment of debt, net	-	-	(6)	-	(6)
Cumulative effect of accounting change, net	(209)	-	-	-	(209)
Net earnings (loss)	\$ (99)	\$ 336	\$ (116)	\$ (71)	\$ 50
Per share amounts, basic:					
Earnings (loss) before extraordinary item					
and cumulative effect	\$ 0.68	\$ 3.08	\$ (2.17)	\$ (1.40)	\$ 2.02
Extraordinary loss on early					
extinguishment of debt, net	-	-	(0.13)	-	(0.05)
Cumulative effect of accounting change, net	(1.97)	-	-	-	(1.93)
Net earnings (loss)	\$ (1.29)	\$ 3.08	\$ (2.30)	\$ (1.40)	\$ 0.04
Net earnings (loss) per share, diluted	\$ (1.18)	\$ 2.86	\$ (2.30)	\$ (1.40)	\$ 0.04

The sum of quarterly earnings per share amounts is not the same as annual earnings per share amounts because of changing numbers of shares outstanding.

During the second quarter of 2001, UAL recorded a special charge of \$116 million for costs associated with a terminated merger with US Airways Group, Inc.

During the third quarter of 2001, UAL recorded a special charge of \$1.3 billion in operating expense and \$49 million in non-operating expense for amounts relating to the September 11 terrorist attacks. Additionally, in the third and fourth quarters of 2001, UAL recognized \$391 million and \$261 million, respectively, in compensation under the Act as non-operating income. (See Note 2 "Special Charges Related to the September 11 Terrorist Attacks.")

During the fourth quarter of 2001, United recognized a gain of \$261 million on the sale of its investments in Galileo and Cendant. (See Note 6 "Investments.")

During the third quarter of 2000, UAL recorded an investment impairment of \$61 million related to its warrants in Priceline.com. Additionally, in the fourth quarter 2000, UAL recognized a pre-tax gain of \$109 million on the sale of its investment in GetThere.com. (See Note 6 "Investments.")

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2002 Annual Meeting of Stockholders. Information regarding the executive officers is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2002 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2002 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2002 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements. The financial statements required by this item are listed in Item 8, "Financial Statements and Supplementary Data" herein.

2. Financial Statement Schedules. The financial statement schedule required by this item is listed below and included in this report after the signature page hereto.

Schedule II - Valuation and Qualifying Accounts for the years ended December 31, 2001, 2000 and 1999.

All other schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits. The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K, and is incorporated herein by this reference. Each of Exhibits 10.31 through 10.40 and 10.42 through 10.44 listed in the Exhibit Index is a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K.

Form 8-K dated October 5, 2001 to report events of September 11 and their impact on United and a press release reporting September traffic.

Form 8-K dated October 18, 2001 to report a cautionary statement for purposes of the "Safe Harbor for Forward Looking Statements" provision of the Private Securities Litigation Reform Act and a press release of James Goodwin's letter United employees.

Form 8-K dated October 29, 2001 to report the resignation of James E. Goodwin and appointment of John W. Creighton as Chairman of the Board of Directors and Chief Executive Officer.

Form 8-K dated October 31, 2001 to report a cautionary statement for purposes of the "Safe Harbor for Forward Looking Statements" provision of the Private Securities Litigation Reform Act.

Form 8-K dated November 5, 2001 to report John W. Creighton's presentation at Salomon Smith Barney's Transportation Conference.

Form 8-K dated November 16, 2001 to report a press release announcing a reduction in planned aircraft deliveries.

Form 8-K dated November 20, 2001 to report press releases issued by United and the National Mediation Board regarding the recommendation of Presidential Emergency Board.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February, 2002.

UAL CORPORATION

/s/ John W. Creighton, Jr.

John W. Creighton, Jr.
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 28th day of February 2002 by the following persons on behalf of the registrant and in the capacities indicated.

/s/ John W. Creighton, Jr.
John W. Creighton, Jr.
Chairman of the Board and Chief Executive
Officer (principal executive officer)

/s/ Frederic F. Brace
Frederic F. Brace
Senior Vice President and Chief Financial
Officer
(principal financial and accounting officer)

/s/ Hazel R. O'Leary
Hazel R. O'Leary
Director

/s/ Rono Dutta
Rono Dutta
President and Director

/s/ John F. Peterpaul
John F. Peterpaul
Director

/s/ W. James Farrell
W. James Farrell
Director

/s/ Paul E. Tierney, Jr.
Paul E. Tierney, Jr.
Director

/s/ Richard D. McCormick
Richard D. McCormick
Director

/s/ John K. Van de Kamp
John K. Van de Kamp
Director

/s/ James J. O'Connor
James J. O'Connor
Director

/s/ Paul R. Whiteford, Jr.
Paul R. Whiteford, Jr.
Director

Schedule II

UAL Corporation and Subsidiary Companies

Valuation and Qualifying Accounts

For the Years Ended December 31, 2001, 2000 and 1999

(In millions)

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions¹</u>	<u>Balance at End of Year</u>
Year Ended December 31, 1999				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ <u>22</u>	\$ <u>11</u>	\$ <u>20</u>	\$ <u>13</u>
Obsolescence allowance - Flight equipment spare parts	\$ <u>39</u>	\$ <u>5</u>	\$ <u>(1)</u>	\$ <u>45</u>
Year Ended December 31, 2000				
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts	\$ <u>13</u>	\$ <u>15</u>	\$ <u>14</u>	\$ <u>14</u>
Obsolescence allowance - Flight equipment spare parts	\$ <u>45</u>	\$ <u>12</u>	\$ <u>2</u>	\$ <u>55</u>

Year Ended December 31, 2001

Reserves deducted from assets to which they apply:

Allowance for doubtful accounts	\$ <u>14</u>	\$ <u>41</u>	\$ <u>25</u>	\$ <u>30</u>
Obsolescence allowance - Flight equipment spare parts	\$ <u>55</u>	\$ <u>27</u>	\$ <u>12</u>	\$ <u>70</u>
Accrual for reduction in force	\$ <u>-</u>	\$ <u>134</u>	\$ <u>47</u>	\$ <u>87</u>
Accrual for early termination fees	\$ <u>-</u>	\$ <u>181</u>	\$ <u>10</u>	\$ <u>171</u>

¹ Deduction from reserve for purpose for which reserve was created.

EXHIBIT INDEX

- 3.1 Restated Certificate of Incorporation of UAL Corporation ("UAL"), as amended (filed as Exhibit 3.1 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)
- 3.2 By-laws (filed as Exhibit 3.2 to UAL's Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference)
- 4.1 Deposit Agreement dated as of July 12, 1994 between UAL Corporation and holders from time to time of Depository Receipts described herein (filed as Exhibit 4.1 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 4.2 Indenture dated as of December 20, 1996 between UAL Corporation and The First National Bank of Chicago, as Trustee
- 4.3 Officer's Certificate relating to UAL's 13-1/4% Junior Subordinated Debentures due 2026
- 4.4 Form of UAL's 13-1/4% Junior Subordinated Debenture due 2026
- 4.5 Guarantee Agreement dated as of December 30, 1996 with respect to the 13-1/4% Trust Originated Preferred Securities of UAL Corporation Capital Trust I
- 4.6 Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996

UAL's indebtedness under any single instrument does not exceed 10% of UAL's total assets on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request

- 10.1 Amended and Restated Agreement and Plan of Recapitalization, dated as of March 25, 1994 (the "Recapitalization Agreement"), as amended, among UAL Corporation, the Air Line Pilots Association ("ALPA"), International and the International Association of Machinists and Aerospace Workers ("IAM") (filed as Exhibit 10.1 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.2 Second Amendment to the Agreement and Plan of Recapitalization, dated as of June 2, 1994, among UAL, ALPA and the IAM (filed as Exhibit 10.2 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.3 Agreement, dated as of July 16, 1996, pursuant to Section 1.6q of the Recapitalization Agreement among UAL, ALPA and IAM
- 10.4 UAL Corporation Employee Stock Ownership Plan, effective as of July 12, 1994 (filed as Exhibit 10.4 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.5 First Amendment to UAL Corporation Employee Stock Ownership Plan, dated December 28, 1994 (filed as Exhibit 10.5 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.6 Second Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 17, 1995 (filed as Exhibit 10.6 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.7 Third Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 28, 1995
- 10.8 Fourth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of July 16, 1996
- 10.9 Fifth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 31, 1996
- 10.10 Sixth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of August 11, 1997 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference)
- 10.11 Seventh Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of May 19, 1999 (filed as Exhibit 10.10 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.12 Eighth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of November 10, 1999 (filed as Exhibit 10.11 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.13 Ninth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of October 29, 1999 (filed as Exhibit 10.12 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.14 Tenth Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of April 28, 2000 (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)
- 10.15 Eleventh Amendment to UAL Corporation Employee Stock Ownership Plan, dated as of December 29, 2000 (filed as Exhibit 10.15 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)

- 10.16 UAL Corporation Employee Stock Ownership Plan Trust Agreement between UAL Corporation and State Street Bank and Trust Company, effective July 12, 1994 (filed as Exhibit 10.16 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.17 UAL Corporation Supplemental ESOP, effective as of July 12, 1994 (filed as Exhibit 10.17 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.18 First Amendment to UAL Corporation Supplemental ESOP, dated February 22, 1995 (filed as Exhibit 10.18 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.19 Second Amendment to UAL Corporation Supplemental ESOP, dated as of August 17, 1995 (filed as Exhibit 10.19 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.20 Third Amendment to UAL Corporation Supplemental ESOP, dated as of December 28, 1995 (filed as Exhibit 10.20 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.21 Fourth Amendment to UAL Corporation Supplemental ESOP, dated as of July 16, 1996
- 10.22 Fifth Amendment to UAL Corporation Supplemental ESOP, dated as of December 31, 1996
- 10.23 Sixth Amendment to UAL Corporation Supplemental ESOP, dated as of August 11, 1997 (filed as Exhibit 10.4 of UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference)
- 10.24 Seventh Amendment to UAL Corporation Supplemental ESOP, dated as of May 19, 1999 (filed as Exhibit 10.21 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.25 Eighth Amendment to UAL Corporation Supplemental ESOP, dated as of November 10, 1999 (filed as Exhibit 10.22 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.26 Ninth Amendment to UAL Corporation Supplemental ESOP, dated as of October 29, 1999 (filed as Exhibit 10.23 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.27 UAL Corporation Supplemental ESOP Trust Agreement between UAL Corporation and State Street, effective July 12, 1994 (filed as Exhibit 10.28 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.28 Class I Junior Preferred Stockholders' Agreement, dated as of June 12, 1994 (filed as Exhibit 10.29 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.29 Class SAM Preferred Stockholders' Agreement, dated as of July 12, 1994 (filed as Exhibit 10.30 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.30 First Refusal Agreement, dated as of July 12, 1994, as amended
- 10.31 UAL Corporation 2000 Incentive Stock Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)
- 10.32 United Employees Performance Incentive Plan (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference)

- 10.33 UAL Corporation 1998 Restricted Stock Plan (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference)
- 10.34 Description of Compensation and Benefits for Directors (filed as Exhibit 10.34 to UAL's Form 10-K for the year ended December 31, 1999 and incorporated herein by reference)
- 10.35 UAL Corporation 1995 Directors Plan, as amended June 26, 1997 (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended September 30, 1997, as amended, and incorporated herein by reference)
- 10.36 United Supplemental Retirement Plan (filed as Exhibit 10.35 of UAL's 10-K for the year ended December 31, 1998 and incorporated herein by reference)
- 10.37 Description of Officer Benefits
- 10.38 Employment Agreement, dated as of April 12, 1999, between UAL Corporation, United Air Lines, Inc. and James E. Goodwin (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference)
- 10.39 Amendment No. 1 to Employment Agreement dated as of October 28, 2001, between United Air Lines, Inc. and James E. Goodwin
- 10.40 Employment Agreement dated as of March 1, 2000, between William P. Hobgood, and UAL and United (filed as Exhibit 10.1 of UAL's Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference)
- 10.41 2000 Agreement between United Air Lines, Inc. and the Air Line Pilots in the service of United Air Lines, Inc. represented by ALPA (filed as Exhibit 10.41 to UAL's Form 10-K for the year ended December 31, 2000 and incorporated herein by reference)
- 10.42 Description of Benefit Arrangement for John W. Creighton, Jr.
- 10.43 Non-Qualified Stock Option Agreement for John W. Creighton, Jr.
- 10.44 United New Ventures Long Term Incentive Plan
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 UAL CORPORATION, Issuer

to

THE FIRST NATIONAL BANK OF CHICAGO, Trustee

 INDENTURE

Dated as of December 20, 1996

 Providing for Issuance of

Junior Subordinated Debt Securities in Series

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Reconciliation and tie between Indenture dated as of December 20, 1996 and the Trust Indenture Act of 1939, as amended.

<u>Trust Indenture Act of 1939 Section</u>	<u>Indenture Section</u>
310 (a) (1)	6.12
(a) (2)	6.12
(a) (3)	TIA

(a) (4)	Not applicable
(a) (5)	TIA
(b)	6.10; 6.12; TIA
311 (a)	TIA
(b)	TIA
312 (a)	6.8
(b)	TIA
(c)	TIA
313 (a)	6.7; TIA
(b)	TIA
(c)	TIA
(d)	TIA
314 (a)	9.6; 9.7; TIA
(b)	Not Applicable
(c) (1)	1.2
(c) (2)	1.2
(c) (3)	Not Applicable
(d)	Not Applicable
(e)	TIA
(f)	TIA
315 (a)	TIA
(b)	6.6
(c)	TIA
(d) (1)	TIA
(d) (2)	TIA
(d) (3)	TIA
(e)	TIA
316 (a) (last sentence)	1.1
(a) (1) (A)	5.2; 5.8
(a) (1) (B)	5.7
(b)	5.9; 5.10
(c)	TIA
317 (a) (1)	5.3
(a) (2)	5.4
(b)	9.3
318 (a)	1.11
(b)	TIA
(c)	1.11; TIA

This reconciliation and tie section does not constitute part of the Indenture.

INDENTURE, dated as of December 20, 1996, among UAL CORPORATION, a Delaware corporation (the "Company"), as issuer, and THE FIRST NATIONAL BANK OF CHICAGO, a national banking association, as Trustee (the "Trustee").

Recitals

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured junior subordinated debentures, notes or other evidences of indebtedness ("Securities") to be issued in one or more series as herein provided.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Securities:

ARTICLE 1

Definitions and Other Provisions

----- of General Application -----

Section 1.1. Definitions. (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and

(4) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Affiliate" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Paying Agent or Registrar.

"Authenticating Agent" means any authenticating agent appointed by the Trustee pursuant to Section 6.14.

"Authorized Newspaper" means a newspaper of general circulation, in the official language of the country of publication or in the English language, customarily published on each Business Day whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Whenever successive publications in an Authorized Newspaper are required hereunder they may be made (unless otherwise expressly provided herein) on any Business Day and in the same or different Authorized Newspapers.

"Bearer Security" means any Security in the form (to the extent applicable thereto) established pursuant to Section 2.1 which is payable to bearer.

"Board" or "Board of Directors" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"Board Resolution" means a copy of a resolution of the Board of Directors, certified by the Corporate Secretary or an Assistant Secretary of the Company, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or particular location are authorized or obligated by law or executive order to close.

"Capital Lease" means any lease obligation of a person incurred with respect to real property or equipment acquired or leased by such person and used in its business that is required to be recorded on its balance sheet as a capitalized lease in accordance with generally accepted accounting principles consistently applied as in effect on the date hereof.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" shall mean the common undivided beneficial interests in the assets of the applicable UAL Corporation Capital Trust.

"Company" means the Person named as the Company in the first paragraph of this Indenture until one or more successor corporations shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successors.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, by any Vice President signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Company, or, with respect to Sections 3.3, 3.4, 3.5 and 6.1, any other employee of the Company named in an Officers' Certificate delivered to the Trustee.

"Conversion Event" means the cessation of use of (i) a Foreign Currency both by the government of the country which issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the ECU both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities or (iii) any currency unit other than the ECU for the purposes for which it was established.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of original execution of this Indenture is located at One First National Plaza, Suite 0126, Chicago, Illinois 60670, Attention: Corporate trust Administration, except that, with respect to presentation of the Securities for payment or registration of transfers or exchanges and the location of the register, such term means the office or agency of the Trustee at which at any particular time its corporate agency business shall be conducted, which at the date of original execution of this Indenture is located as c/o First Chicago Trust Company of New York, 14 Wall Street-8th Floor-Window 2, New York, New York 10005.

"corporation" includes corporations, associations, companies and business trusts.

"coupon" means any interest coupon appertaining to a Bearer Security.

"Declaration of Trust" shall mean the Declaration of Trust of the UAL Corporation Capital Trust, if any, specified in the applicable Board Resolution or supplemental indenture establishing a particular series of Securities pursuant to Section 3.01 hereof.

"Default" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"Depository", when used with respect to the Securities of or within any series issuable or issued in whole or in part in global form, means the Person designated as Depository by the Company pursuant to Section 3.1 until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter shall mean or include each Person which is then a Depository hereunder, and if at any time there is more than one such Person, shall be a collective reference to such Persons.

"Dollar" means the coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"European Communities" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"European Monetary System" means the European Monetary System established by the Resolution of December 5, 1978 of the Council of the European Communities.

"Exchange Rate Agent", when used with respect to Securities of or within any series, means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, a New York Clearing House bank designated pursuant to Section 3.1 or Section 3.12.

"Exchange Rate Officer's Certificate" means a certificate setting forth (i) the applicable Market Exchange Rate or the applicable bid quotation and (ii) the Dollar or Foreign Currency amounts of principal (and premium, if any) and interest, if any (on an aggregate basis and on the basis of a Security having the lowest denomination principal amount in the relevant currency or currency unit), payable with respect to a Security of any series on the basis of such Market Exchange Rate or the applicable bid quotation, signed by the Treasurer, any Vice President or any Assistant Treasurer of the Company.

"Flight Equipment" means:

- (a) aircraft of all types and classes used in transportation and incidental services, together with all aircraft instruments, appurtenances parts and fixtures comprising such aircraft;
- (b) aircraft engines of all types and classes used in transportation and incidental services, together with all accessories, appurtenances, parts and fixtures comprising such aircraft engines;
- (c) aircraft communication equipment of all types and classes used in transportation and incidental services, including radio, radar, radiophone and other aircraft communication apparatus, together with all accessories, appurtenances, parts and fixtures comprising such aircraft communication equipment;
- (d) miscellaneous flight equipment of all types and classes (including miscellaneous crew flight equipment) used in transportation and incidental services; and
- (e) spare parts, accessories and assemblies held for use in or repair of the items described in (a) through (d) above.

"Foreign Currency" means any currency issued by the government of one or more countries other than the United States or by any

recognized confederation or association of such governments.

"Government Obligations" means securities which are (i) direct obligations of the United States or, if specified as contemplated by Section 3.1, the government which issued the currency in which the Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States or, if specified as contemplated by Section 3.1, such government which issued the foreign currency in which the Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depository receipt.

"Holder" means, with respect to a Bearer Security or coupon, a bearer thereof and, with respect to a Registered Security, a person in whose name a Security is registered on the Register.

"Indebtedness" of any Person means, without duplication, the principal of, and premium, if any, and accrued and unpaid interest (including post-petition interest) on any obligation, whether outstanding on the date hereof or thereafter created, incurred or assumed, which is (i) indebtedness of such Person for money borrowed, (ii) Indebtedness Guarantees by such Person of indebtedness for money borrowed by any other Person, (iii) indebtedness evidenced by notes, debentures, bonds or other instruments of indebtedness for payment of which such Person is responsible or liable, (iv) obligations for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction, (v) obligations of such Person under Capital Leases and Flight Equipment leases (the amount of the Company's obligation under such Flight Equipment leases to be computed in accordance with Statement of Financial Accounting Standards No. 13 as if such Flight Equipment leases were Capital Leases), (vi) obligations (net of counterparty payments) under interest rate and currency swaps, caps, collars, options, forward or spot contracts or similar arrangements or with respect to foreign currency hedges, and (vii) commitment and other bank financing fees under contractual obligations associated with bank debt; provided, however, that Indebtedness shall not include amounts owed to trade creditors in the ordinary course of business.

"Indebtedness Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment or performance thereof (or payment of damages in the event of nonperformance) or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the terms Indebtedness Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Indebtedness Guarantee" used as a verb has a corresponding meaning.

"Indenture" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms (but not defined terms established in an Officers' Certificate or a Board Resolution) of particular series of Securities established as contemplated by Section 2.1 and Section 3.1.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after maturity, means interest payable after maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Market Exchange Rate" means, unless otherwise specified with respect to any Securities pursuant to Section 3.1, (i) for any conversion involving a currency unit on the one hand and Dollars or any Foreign Currency on the other, the exchange rate between the relevant currency unit and Dollars or such Foreign Currency calculated by the method specified pursuant to Section 3.1 for the Securities of the relevant series, (ii) for any conversion of Dollars into any Foreign Currency, the noon buying rate for such Foreign Currency for cable transfers quoted in New York City as certified for customs purposes by the Federal Reserve Bank of New York and (iii) for any conversion of one Foreign Currency into Dollars or another Foreign Currency, the spot rate at noon local time in the relevant market at which, in accordance with normal banking procedures, the Dollars or Foreign Currency into which conversion is being made could be purchased with the Foreign Currency from which conversion is being made from major banks located in New York City, London or any other principal market for Dollars or such purchased Foreign Currency, in each case determined by the Exchange Rate Agent. Unless otherwise specified with respect to any Securities pursuant to Section 3.1, in the event of the unavailability of any of the exchange rates provided for in the foregoing clauses (i), (ii) and (iii), the Exchange Rate Agent shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in New York City, London or other principal market for such currency or currency unit in question (which may include any such bank acting as Trustee under this Indenture), or such other quotations as the Exchange Rate Agent shall deem appropriate. Unless otherwise specified by the Exchange Rate Agent, if there is more than one market for dealing in any currency or currency unit by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency or currency unit shall be that upon which a nonresident issuer of securities designated in such currency or currency unit would purchase such currency or currency unit in order to make payments in respect of such securities.

"Maturity", when used with respect to any Security means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officer" means the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Corporate Secretary of the Company.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President of the Company, signing alone, or by any Vice President signing together with the Corporate Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer of the Company.

"Opinion of Counsel" means a written opinion of legal counsel, who may be (a) the senior attorney employed by the Company, (b) any other Officer who is an attorney, (c) Mayer, Brown & Platt or (d) other counsel designated by the Company and who shall be acceptable to the Trustee.

"Original Issue Discount Security" means any Security which provides for an amount less than the stated principal amount thereof to be due and payable upon declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities and any coupons appertaining thereto provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee have been made;

(iii) Securities, except to the extent provided in Sections 4.4 and 4.5, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article 4; and

(iv) Securities which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company; provided, however, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, (w) the principal amount of any Original Issue Discount Securities that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 5.2, (x) the principal amount of any Security denominated in a Foreign Currency that may be counted in making such determination or calculation and that shall be deemed Outstanding for such purpose shall be equal to the Dollar equivalent, determined as of the date such Security is originally issued by the Company as set forth in an Exchange Rate Officer's Certificate delivered to the Trustee, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent as of such date of original issuance of the amount determined as provided in clause (w) above) of such Security, (y) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Security pursuant to Section 3.1, and (z) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, premium, if any, or interest, if any, on any Securities on behalf of the Company.

"Periodic Offering" means an offering of Securities of a series from time to time the specific terms of which Securities, including, without limitation, the rate or rates of interest or formula for determining the rate or rates of interest thereon, if any, the Stated Maturity or Stated Maturities thereof, the original issue date or dates thereof, the redemption provisions, if any, with respect thereto, and any other terms specified as contemplated by Section 3.1 with respect thereto, are to be determined by the Company upon the issuance of such Securities.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Securities of or within any series, means the place or places where, subject to the

provisions of Section 9.2, the principal of, premium, if any, and interest, if any, on such Securities are payable as specified as contemplated by Section 3.1.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Preferred Securities" means the preferred undivided beneficial interests in the assets of the applicable UAL Corporation Capital Trust.

"Redeemable Stock" means, with respect to any person, any equity security of such person that by its terms or otherwise (i) is required to be redeemed prior to the maturity of any of the Securities, or is redeemable at the option of the holder thereof at any time prior to the maturity of any of the Securities, and (ii) creates a financial obligation on such person if any required or optional redemption obligation is not timely satisfied.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Security in the form (to the extent applicable thereto) established pursuant to Section 2.1 which is registered as to principal and interest in the Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Registered Securities of or within any series means the date specified for that purpose as contemplated by Section 3.1.

"Responsible Officer", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, and also means, with respect to a particular corporate trust matter, any other officer to whom such corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" or "Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Security or Securities of the Company issued, authenticated and delivered under this Indenture.

"Security Exchange," when used with respect to the Securities of any series which are held as trust assets of a UAL Corporation Capital Trust pursuant to the Declaration of Trust of such UAL Corporation Capital Trust, shall mean the distribution of the Securities of such series by such UAL Corporation Capital Trust in exchange for the Preferred Securities and Common Securities of such UAL Corporation Capital Trust in dissolution of such UAL Corporation Capital Trust pursuant to the Declaration of Trust of such UAL Corporation Capital Trust.

"Senior Indebtedness of the Company" means all Indebtedness of the Company (other than the Securities), unless such Indebtedness, by its terms or the terms of the instrument creating or evidencing it, is subordinate in right of payment to or *pari passu* with the Securities, and, in particular, the Securities shall rank *pari passu* with all other debt securities and guarantees in respect of those debt securities issued to any other UAL Corporation Capital Trust or any indebtedness of the Company to a Subsidiary.

"Special Record Date" for the payment of any Defaulted Interest on the Registered Securities of any issue means a date fixed by the Trustee pursuant to Section 3.7.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest, if any, thereon, means the date specified in such Security or in a coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest, if any, is due and payable.

"Subsidiary" means any corporation of which the Company at the time owns or controls, directly or indirectly, more than 50% of the shares of outstanding stock having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture, except as provided in Section 8.3.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee and if, at any time, there is more than one Trustee, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to the Securities of that series.

"UAL Corporation Capital Trust" shall mean any statutory business trust created under the laws of the State of Delaware specified in or pursuant to the applicable Board Resolution or supplemental indenture establishing a particular series of Securities pursuant to Section 3.1

hereof.

"United States" means, unless otherwise specified with respect to the Securities of any series as contemplated by Section 3.1, the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"U.S. Person" means, unless otherwise specified with respect to the Securities of any series as contemplated by Section 3.1, a citizen, national or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

"Yield to Maturity" means the yield to maturity, calculated by the Company at the time of issuance of a series of Securities or, if applicable, at the most recent determination of interest on such series, in accordance with accepted financial practice.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

Term	Section
"Act"	1.4(a)
"Bankruptcy Law"	5.1
"Component Currency"	3.11(d)
"Conversion Date"	3.11(d)
"Custodian"	5.1
"Defaulted Interest"	3.7(b)
"Election Date"	3.11(h)
"Event of Default"	5.1
"Register"	3.5
"Registrar"	3.5
"Valuation Date"	3.7(c)

Section 1.2. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Sections 2.3, 3.3 and 9.7) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.3. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate

or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer or Officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him or her the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other reasonable manner which the Trustee deems sufficient.

(c) The ownership of Bearer Securities may be proved by the production of such Bearer Securities or by a certificate executed by any trust company, bank, broker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (i) another such certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, (ii) such Bearer Security is produced to the Trustee by some other Person, (iii) such Bearer Security is surrendered in exchange for a Registered Security or (iv) such Bearer Security is no longer outstanding. The ownership of Bearer Securities may also be proved in any other reasonable manner which the Trustee deems sufficient.

(d) The ownership of Registered Securities shall be proved by the Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to an Officers' Certificate delivered to the Trustee, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of clause (a) of this Section 1.4 not later than six months after the record date.

Section 1.5. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at UAL Corporation, P.O. Box 66100, Chicago, Illinois 60666, Attention: Treasurer or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, (i) if any of the Securities affected by such event are Registered Securities, such notice to the Holders thereof shall be sufficiently given (unless otherwise herein expressly provided or otherwise agreed to by a Holder) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at his address as it appears in the Register, within the time prescribed for the giving of such notice and (ii) if any of the Securities affected by such event are Bearer Securities, notice to the Holders thereof shall be sufficiently given (unless otherwise herein or in the terms of such Bearer Securities expressly provided) if published once in an Authorized Newspaper in New York, New York, and in such other city or cities, if any, as may be specified as contemplated by Section 3.1(5).

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. In any case where notice is given to Holders by publication, neither the failure to publish such notice, nor any defect in any notice so published, shall affect the sufficiency of such notice with respect to other Holders of Bearer Securities or the sufficiency of any notice to Holders of Registered Securities given as provided herein. Any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. If it is impossible or, in the opinion of the Trustee, impracticable to give any notice by publication in the manner herein required, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.7. Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.8. Successors and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Any act or proceeding that is required or permitted by any provision of this Indenture and that is authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the successor or assign of the Company.

Section 1.9. Separability. In case any provision of this Indenture or the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. Benefits of Indenture. Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Senior Indebtedness of the Company, and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. Governing Law. THIS INDENTURE, THE SECURITIES AND ANY COUPONS APPERTAINING THERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

Section 1.12. Legal Holidays. In any case where any Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or any Security or coupon other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section) payment of principal, premium, if any, or interest, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on such date; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

Section 1.13. Trustee to Establish Record Dates. The Trustee shall fix a record date for the purpose of determining the Holders entitled to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided in this Indenture to be made, given or taken by Holders. If such a record date is fixed, the Holders on such record date, and only such Holders, shall be entitled to make, give or take such request, demand, authorization, direction, notice, consent, waiver or other action, whether or not such Holders remain Holders after such record date. No such request, demand, authorization, direction, notice, consent, waiver or other action shall be valid or effective if made, given or taken more than 90 days after such record date.

Section 1.14. No Recourse Against Others. No recourse for the payment of the principal of, premium, if any, or interest, if any, on the Securities, or for any claim based on the Securities or this Indenture, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or any indenture supplemental thereto or in any Security or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance of a Security by each Holder and as part of the consideration for the issue of such Security, expressly waived and released.

ARTICLE 2

Security Forms

Section 2.1. Forms Generally. The Securities of each series and the coupons, if any, to be attached thereto shall be in substantially such form (including global form) as shall be established by delivery to the Trustee of an Officers' Certificate or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistent herewith, be determined by the Officers executing such Securities and coupons, if any, as evidenced by their execution of the Securities and coupons, if any. If temporary Securities of any series are issued as permitted by Section 3.4, the form thereof also shall be established as provided in the preceding sentence. If the forms of Securities and coupons, if any, of any series are established by an Officers' Certificate, such Officers' Certificate shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 for the authentication and delivery of such Securities.

Unless otherwise specified as contemplated by Section 3.1, Bearer Securities shall have interest coupons attached.

The permanent Securities and coupons, if any, shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner, all as determined by the officers executing such Securities and coupons, if any, as evidenced by their execution of such Securities and coupons, if any.

Section 2.2. Form of Trustee's Certificate of Authentication. The Trustee's certificate of authentication shall be in substantially the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

Dated: The First National Bank of Chicago,

 as Trustee
By: _____
 Authorized Signatory

Section 2.3. Securities in Global Form. If securities of or within a series are issuable in whole or in part in temporary or permanent global form, as specified as contemplated by Section 3.1, then, notwithstanding clause (8) of Section 3.1(b) and the provisions of Section 3.2, any such Security shall represent such of the outstanding securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Securities represented thereby, shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 3.3 or 3.4. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver any Security in global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. Any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 1.2 hereof and need not be accompanied by an Opinion of Counsel.

The provisions of the last paragraph of Section 3.3 shall apply to any Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last paragraph of Section 3.3.

Notwithstanding the provisions of Sections 2.1 and 3.7, unless otherwise specified as contemplated by Section 3.1, payment of principal of, premium, if any, and interest, if any, on any Security in permanent global form shall be made to the Person or Persons specified therein.

Section 2.4. Form of Legend for Securities in Global Form.

Any Security in global form authenticated and delivered hereunder shall bear a legend in substantially the following form, or such other form as deemed necessary or desirable by the Company and specified in a Company Order delivered to the Trustee:

This Security is in global form within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. Unless and until it is exchanged in whole or in part for Securities in certificated form, this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

ARTICLE 3

The Securities

Section 3.1. Amount Unlimited; Issuable in Series. (a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited. The Securities may be issued from time to time in one or more series.

(b) The following matters shall be established and (subject to Section 3.3) set forth, or determined in the manner provided, in an Officers' Certificate and a Board Resolution of the Company, or one or more indentures supplemental hereto:

(1) the title of the Securities of the series (which title shall distinguish the Securities of the series from all other Securities);

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (which limit shall not pertain to (i) Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 3.4, 3.5, 3.6, 8.6, or 10.7 and (ii) any Securities which, pursuant to the last paragraph of Section 3.3, are deemed never to have been authenticated and delivered hereunder);

(3) the date or dates on which the principal of the Securities of the series is payable or the method of determination thereof;

(4) the rate or rates at which the Securities of the series shall bear interest, if any, or the method of calculating such rate or rates of interest, the date or dates from which such interest shall accrue or the method by which such date or dates shall be determined, the Interest Payment Dates on which any such interest shall be payable and any provision for the extension or deferral thereof and, with respect to Registered Securities, the Regular Record Date, if any, for the interest payable on any Registered Security on any Interest Payment Date;

(5) the place or places where, subject to the provisions of Section 9.2, the principal of, premium, if any, and interest, if any, on Securities of the series shall be payable;

(6) the period or periods within which, the price or prices at which, the currency or currencies (including currency units) in which, and the other terms and conditions upon which, Securities of the series may be redeemed, in whole or in part, at the option of the Company and, if other than as provided in Section 10.3, the manner in which the particular Securities of such series (if less than all Securities of such series are to be redeemed) are to be selected for redemption;

(7) the obligation, if any, of the Company to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(8) if other than denominations of \$1,000 and any integral multiple thereof, if Registered Securities, and if other than denominations of \$5,000 and \$100,000, if Bearer Securities, the denominations in which Securities of the series shall be issuable;

(9) if other than Dollars, the currency or currencies (including currency units) in which the principal of, premium, if any, and interest, if any, on the Securities of the series shall be payable, or in which the Securities of the series shall be denominated, the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.11, and whether the Securities of the series may be satisfied and discharged other than as provided in Article 4;

(10) if the payments of principal of, premium, if any, or interest, if any, on the Securities of the series are to be made, at the election of the Company or a Holder, in a currency or currencies (including currency units) other than that in which such Securities are denominated or designated to be payable, the currency or currencies (including currency units) in which such payments are to be made, the terms and conditions of such payments and the manner in which the exchange rate with respect to such payments shall be determined, the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of Section 3.11, and whether the Securities of the series may be satisfied and discharged other than as provided in Article 4;

(11) if the amount of payments of principal of, premium, if any, and interest, if any, on the Securities of the series shall be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on a currency or currencies (including currency units) other than that in which the Securities of the series are denominated or designated to be payable), the index, formula or other method by which such amounts shall be determined;

(12) if other than the principal amount thereof, the portion of the principal amount of such Securities of the series which shall be payable upon declaration of acceleration thereof pursuant to Section 5.2 or the method by which such portion shall be determined;

(13) if other than as provided in Section 3.7, the Person to whom any interest on any Registered Security of the series shall be payable, the manner in which, or the Person to whom, any interest on any Bearer Securities of the series shall be payable, and the extent to which, or the manner in which (including any certification requirement and other terms and conditions under which), any interest payable on a temporary or permanent global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 2.3 and Section 3.4, as applicable;

(14) provisions, if any, granting special rights to the Holders of Securities of the series upon the occurrence of such

events as may be specified;

(15) any deletions from, modifications of or additions to the Events of Default set forth in Section 5.1 or covenants of the Company set forth in Article 9 pertaining to the Securities of the series;

(16) under what circumstances, if any, the Company will pay additional amounts on the Securities of that series held by a Person who is not a U.S. Person in respect of taxes or similar charges withheld or deducted and, if so, whether the Company will have the option to redeem such Securities rather than pay such additional amounts (and the terms of any such option);

(17) whether Securities of the series shall be issuable as Registered Securities or Bearer Securities (with or without interest coupons), or both, and any restrictions applicable to the offering, sale or delivery of Bearer Securities and, if other than as provided in Section 3.5, the terms upon which Bearer Securities of a series may be exchanged for Registered Securities of the same series and vice versa;

(18) the date as of which any Bearer Securities of the series and any temporary global Security representing outstanding Securities of the series shall be dated if other than the date of original issuance of the first Security of the series to be issued;

(19) the applicability, if any, to the Securities of or within the series of Sections 4.4 and 4.5, or such other means of defeasance or covenant defeasance as may be specified for the Securities and coupons, if any, of such series, and whether, for the purpose of such defeasance or covenant defeasance, the term "Government Obligations" shall include obligations referred to in the definition of such term which are not obligations of the United States or an agency or instrumentality of the United States;

(20) if other than the Trustee, the identity of the Registrar and any Paying Agent;

(21) any terms which may be related to warrants issued by the Company in connection with, or for the purchase of, Securities of such series, including whether and under what circumstances the Securities of any series may be used toward the exercise price of any such warrants;

(22) the designation of the initial Exchange Rate Agent, if any;

(23) whether Securities of the series shall be issued in whole or in part in temporary or permanent global form and, if so, (i) the initial Depository for such global Securities and (ii) if other than as provided in Section 3.4 or 3.5, as applicable, whether and the circumstance under which beneficial owners of interests in any Securities of the series in temporary or permanent global form may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination;

(24) whether Securities of the Series shall be convertible into shares of common stock of the Company and the terms and conditions upon which the Securities will be convertible, including the conversion price, the conversion period and other conversion provisions;

(25) if other than as provided in Article 12, the terms and conditions under which the Securities will be subordinated to the Senior Indebtedness of the Company; and

(26) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture), including any terms which may be required by or advisable under United States laws or regulations or advisable in connection with the marketing of Securities of the series.

(c) All Securities of any one series and coupons, if any, appertaining to any Bearer Securities of such series shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, and the date from which interest, if any, shall accrue and except as may otherwise be provided in or pursuant to an Officers' Certificate pursuant to this Section 3.1 or in an indenture supplemental hereto. All Securities of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the Holders, for issuances of additional Securities of such series or for the establishment of additional terms with respect to the Securities of such series.

(d) If any of the terms of the Securities of any series are established by action taken pursuant to a Board Resolution, a copy of such Board Resolution shall be certified by the Corporate Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate of the Company, setting forth, or providing the manner for determining, the terms of the Securities of such series, and an appropriate record of any action taken pursuant thereto in connection with the issuance of any Securities of such series shall be delivered to the Trustee prior to the authentication and delivery thereof. With respect to Securities of a series subject to a Periodic Offering, such Board Resolutions or Officers' Certificates may provide general terms for Securities of such series and provide either that the specific terms of particular Securities of such series shall be specified in a Company Order, or that such terms shall be determined by the Company, or one or more of its agents designated in the Officers' Certificate, in accordance with the Company Order, as contemplated by the first proviso of the third paragraph of Section 3.3.

(e) Each Security issued hereunder shall provide that the Company and, by its acceptance of a Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Security agree that for United States federal, state and local tax purposes it is intended that such Security constitute indebtedness.

Section 3.2. Denominations. Unless otherwise provided as contemplated by Section 3.1, any Registered Securities of a series shall be issuable in denominations of \$1,000 and any integral multiple thereof and any Bearer Securities of a series shall be issuable in denominations of \$5,000 and \$100,000.

Section 3.3. Execution, Authentication, Delivery and Dating. Securities shall be executed on behalf of the Company by its Chairman or President and Chief Executive Officer and attested to by the Secretary of the Company. The Company's seal shall be affixed to the Securities or a facsimile of such seal shall be engraved, printed, or otherwise reproduced on the Securities. The signatures of such officers on the Securities may be manual or facsimile. The coupons, if any, of Bearer Securities shall bear the facsimile signature of the Chairman or President and Chief Executive Officer and shall be attested by the Secretary of the Company.

Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time, the Company may deliver Securities and any coupons appertaining thereto of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and make available for delivery such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities; provided, however, that in the case of Securities offered in a Periodic Offering, the Trustee shall authenticate and deliver such Securities from time to time in accordance with such other procedures (including, without limitation, the receipt by the Trustee of oral or electronic instructions from the Company or its duly authorized agents, promptly confirmed in writing) acceptable to the Trustee as may be specified by or pursuant to a Company Order delivered to the Trustee prior to the time of the first authentication of Securities of such series, as such form of Company Order may be revised from time to time.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, in authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to section 315(a) through (d) of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating,

(1) that the forms and terms of such Securities and any coupons have been established in conformity with the provisions of this Indenture; and

(2) that such Securities together with any coupons appertaining thereto, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions; provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication of Securities of such series and that the Opinion of Counsel above may state:

(x) that the forms of such Securities have been, and the terms of such Securities (when established in accordance with such procedures as may be specified from time to time in a Company Order, all as contemplated by and in accordance with a Board Resolution or an Officers' Certificate pursuant to Section 3.1, as the case may be) will have been, established in conformity with the provisions of this Indenture; and

(y) that such Securities together with the coupons, if any, appertaining thereto, when (1) executed by the Company, (2) completed, authenticated and delivered by the Trustee in accordance with this Indenture, and (3) issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to customary exceptions.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the form and terms thereof and the legality, validity, binding effect and enforceability thereof, upon the Opinion of Counsel and other documents delivered pursuant to Sections 2.1 and 3.1 of this Section, as applicable, at or prior to the time of the first authentication of Securities of such series unless and until it has received written notification that such opinion or other documents have been superseded or revoked. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any rules, regulations or orders of any governmental agency or commission having jurisdiction over the Company.

If the form or terms of the Securities of a series have been established by or pursuant to one or more Officers' Certificates as permitted by Sections 2.1 and 3.1, the Trustee shall have the right to decline to authenticate such Securities if the issue of such Securities pursuant to this Indenture will adversely affect the Trustee's own rights, duties or immunities under this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee. Notwithstanding the generality of the foregoing, the Trustee will not be required to authenticate Securities denominated in a Foreign Currency if the Trustee reasonably believes that it would be unable to perform its duties with respect to such Securities.

Notwithstanding the provisions of Section 3.1 and of the two preceding paragraphs, if all of the Securities of any series are not to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 at or prior to the time of the authentication of each Security of such series if such Officers' Certificate is delivered at or prior to the authentication upon original issuance of the first Security of such series to be issued.

If the Company shall establish pursuant to Section 3.1 that the Securities of a series are to be issued in whole or in part in global form,

then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series, authenticate and deliver one or more Securities in global form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Securities of such series to be represented by such Security or Securities in global form, (ii) shall be registered, if a Registered Security, in the name of the Depository for such Security or Securities in global form or the nominee of such Depository and (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instruction.

Each Depository designated pursuant to Section 3.1 for a Registered Security in global form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation. The Trustee shall have no responsibility to determine if the Depository is so registered. Each Depository shall enter into an agreement with the Trustee governing the respective duties and rights of such Depository and the Trustee with regard to Securities issued in global form.

Each Registered Security shall be dated the date of its authentication and each Bearer Security (including a Bearer Security represented by a temporary global Security) shall be dated as of the date specified as contemplated by Section 3.1.

No Security or coupon appertaining thereto shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until such Security is authenticated by the manual signature of one of the authorized signatories of the Trustee or an Authenticating Agent. Such signature upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture. Except as permitted by Section 3.6 or 3.7, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and canceled.

Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

Section 3.4. Temporary Securities. Pending the preparation of definitive Securities of any series, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Securities of such series which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form, with or without coupons, of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities and coupons, if any. In the case of Securities of any series, such temporary Securities may be in global form.

Except in the case of temporary Securities in global form, each of which shall be exchanged in accordance with the provisions thereof, if temporary Securities of any series are issued, the Company will cause permanent Securities of such series to be prepared without unreasonable delay. After preparation of such permanent Securities, the temporary Securities shall be exchangeable for such permanent Securities of like tenor upon surrender of the temporary Securities of such series at the office or agency of the Company pursuant to Section 9.2 in a Place of Payment for such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of permanent Securities of the same series of authorized denominations and of like tenor; provided, however, that no permanent Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided further that no permanent Bearer Security shall be delivered in exchange for a temporary Bearer Security unless the Trustee shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form approved in the Officers' Certificate relating thereto and such delivery shall occur only outside the United States. Until so exchanged, the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as permanent Securities of such series except as otherwise specified as contemplated by Section 3.1.

Section 3.5. Registration, Registration of Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office of the Trustee or in any office or agency to be maintained by the Company in accordance with Section 9.2 in a Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar" for the purpose of registering Registered Securities and transfers of Registered Securities as herein provided.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency maintained pursuant to Section 9.2 in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor.

Bearer Securities or any coupons appertaining thereto shall be transferable by delivery.

At the option of the Holder, Registered Securities of any series (except a Registered Security in global form) may be exchanged for other Registered Securities of the same series, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions, upon surrender of the Registered Securities to be exchanged at such office or agency. Whenever any Registered Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Registered Securities which the Holder making the exchange is entitled to receive. Unless otherwise specified as contemplated by

Section 3.1. Bearer Securities may not be issued in exchange for Registered Securities.

Unless otherwise specified as contemplated by Section 3.1, at the option of the Holder, Bearer Securities of such series may be exchanged for Registered Securities (if the Securities of such series are issuable in registered form) or Bearer Securities (if Bearer Securities of such series are issuable in more than one denomination and such exchanges are permitted by such series) of the same series, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 9.2, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case any Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date of payment, as the case may be (or, if such coupon is so surrendered with such Bearer Security, such coupon shall be returned to the person so surrendering the Bearer Security), and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon, when due in accordance with the provisions of this Indenture.

Notwithstanding any other provision (other than the provisions set forth in the seventh and eighth paragraphs of this Section) of this Section, unless and until it is exchanged in whole or in part for Securities in certificated form, a Security in global form representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depository for such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository.

If at any time the Depository for the Securities of a series notifies the Company that it is unwilling or unable to continue as Depository for the Securities of such series or if at any time the Depository for the Securities of such series shall no longer be eligible under Section 3.3, the Company shall appoint a successor Depository with respect to the Securities of such series. If a successor Depository for the Securities of such series is not appointed by the Company within 90 days after the issuer receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 3.1 shall no longer be effective with respect to the Securities of such series and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

The Company may at any time in its sole discretion determine that Securities of a series issued in global form shall no longer be represented by such a Security or Securities in global form. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Securities of such series of like tenor, shall authenticate and deliver, Securities of such series of like tenor in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Security or Securities of such series of like tenor in global form in exchange for such Security or Securities in global form.

If specified by the Company pursuant to Section 3.1 with respect to a series of Securities, the Depository for such series may surrender a Security in global form of such series in exchange in whole or in part for Securities of such series in certificated form on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to each Person specified by such Depository a new certificated Security or Securities of the same series of like tenor, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Security in global form; and

(ii) to such Depository a new Security in global form of like tenor in a denomination equal to the difference, if any, between the principal amount of the surrendered Security in global form and the aggregate principal amount of certificated Securities delivered to Holders thereof.

Upon the exchange of a Security in global form for Securities in certificated form, such Security in global form shall be canceled by the Trustee. Unless expressly provided with respect to the Securities of any series that such Security may be exchanged for Bearer Securities, Securities in certificated form issued in exchange for a Security in global form pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Security in global form, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Securities to the Persons in whose names such Securities are so registered.

Whenever any Securities are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or upon any exchange of Securities shall be the valid obligations of the Company,

evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to those of the Company, the Registrar and the Trustee requiring such written instrument of transfer duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Securities, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of, or exchange any Securities for a period beginning at the opening of business 15 days before any selection for redemption of Securities of like tenor and of the series of which such Security is a part and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Securities of like tenor and of such series to be redeemed; (ii) to register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed

portion of any Security being redeemed in part; or (iii) to exchange any Bearer Security so selected for redemption, except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor; provided that such Registered Security shall be simultaneously surrendered for redemption.

Section 3.6. Replacement Securities. If a mutilated Security or a Security with a mutilated coupon appertaining to it is surrendered to the Trustee, together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver a replacement Registered Security, if such surrendered Security was a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the surrendered Security, if such surrendered Security was a Bearer Security, of the same series and date of maturity, if the Trustee's requirements are met.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Security with a destroyed, lost or stolen coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen), a replacement Registered Security, if such Holder's claim appertains to a Registered Security, or a replacement Bearer Security with coupons corresponding to the coupons appertaining to the destroyed, lost or stolen Bearer Security or the Bearer Security to which such lost, destroyed or stolen coupon appertains, if such Holder's claim appertains to a Bearer Security, of the same series and principal amount, containing identical terms and provisions and bearing a number not contemporaneously outstanding with coupons corresponding to the coupons, if any, appertaining to the destroyed, lost or stolen Security.

In case any such mutilated, destroyed, lost or stolen Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security or coupon, pay such Security or coupon; provided, however, that payment of principal of and any premium or interest on Bearer Securities shall, except as otherwise provided in Section 9.2, be payable only at an office or agency located outside the United States and, unless otherwise specified as contemplated by Section 3.1, any interest on Bearer Securities shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series with its coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its coupon, if any, or the destroyed, lost or stolen coupon, shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or coupons.

Section 3.7. Payment of Interest; Interest Rights Preserved. (a) Unless otherwise provided as contemplated by Section 3.1, interest, if any, on any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency maintained for such purpose pursuant to Section 9.2; provided, however, that, at the option of the Company, interest on any series of Registered Securities that bear interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register of Holders of Securities of such series or (ii) to the extent specified as contemplated by Section 3.1, by wire transfer to an account maintained by the Person entitled thereto as specified in the Register of Holders of Securities of such series.

Unless otherwise provided as contemplated by Section 3.1, (i) interest, if any, on Bearer Securities shall be paid only against presentation and surrender of the coupons for such interest installments as are evidenced thereby as they mature and (ii) original issue

discount, if any, on Bearer Securities shall be paid only against presentation and surrender of such Securities; in either case at the office of a Paying Agent located outside the United States, unless the Company shall have otherwise instructed the Trustee in writing provided that any such instruction for payment in the United States does not cause any Bearer Security to be treated as a "registration-required obligation" under the United States law and regulations. The interest, if any, on any temporary Bearer Security shall be paid, as to any installment of interest evidenced by a coupon attached thereto only upon presentation and surrender of such coupon and, as to other installments of interest, only upon presentation of such Security for notation thereon of the payment of such interest. If at the time a payment of principal of or interest, if any, on a Bearer Security or coupon shall become due, the payment of the full amount so payable at the office or offices of all the Paying Agents outside the United States is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the payment of such amount in Dollars, then the Company may instruct the Trustee to make such payments at a Paying Agent located in the United States, provided that provision for such payment in the United States would not cause such Bearer Security to be treated as a "registration-required obligation" under the United States law and regulations.

(b) Unless otherwise provided as contemplated by Section 3.1, any interest on any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities of such series at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

(c) Subject to the foregoing provisions of this Section and Section 3.5, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 3.8. Persons Deemed Owners. Prior to due presentment of any Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest, if any, on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Bearer Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or coupon be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Notwithstanding the foregoing, with respect to any Security in global form, nothing herein shall prevent the Company or the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depository (or its nominee), as a Holder, with respect to such Security in global form or impair, as between such Depository and owners of beneficial interests in such Security in global form, the operation of customary practices governing the exercise of the rights of such Depository (or its nominee) as Holder of such Security in global form.

Section 3.9. Cancellation. The Company at any time may deliver Securities and coupons to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Securities and coupons surrendered to them for replacement, for registration of transfer, or for exchange or payment. The Trustee shall cancel all Securities and coupons surrendered for replacement, for registration of transfer, or for exchange, payment, redemption or cancellation and shall return all such canceled Securities to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation, except as expressly permitted

in the terms of Securities for any particular series or as permitted pursuant to the terms of this Indenture.

Section 3.10. Computation of Interest. Except as otherwise specified as contemplated by Section 3.1, (i) interest on any Securities that bear interest at a fixed rate shall be computed on the basis of a 360-day year of twelve 30-day months and, for any period shorter than a full quarterly period for which interest is computed, on the basis of the actual number of days elapsed in such period, and (ii) interest on any Securities that bear interest at a variable rate shall be computed on the basis of the actual number of days in an interest period divided by 360.

Section 3.11. Currency and Manner of Payment in Respect of Securities. (a) Unless otherwise specified with respect to any Securities pursuant to Section 3.1, with respect to Registered Securities of any series not permitting the election provided for in paragraph (b) below or the Holders of which have not made the election provided for in paragraph (b) below, and with respect to Bearer Securities of any series, except as provided in paragraph (d) below, payment of the principal of, premium, if any, and interest, if any, on any Registered or Bearer Security of such series will be made in the currency or currencies or currency unit or units in which such Registered Security or Bearer Security, as the case may be, is payable. The provisions of this

Section 3.11 may be modified or superseded pursuant to Section 3.1 with respect to any Securities. For all purposes of this Indenture, currency units shall include any composite currency.

(b) It may be provided pursuant to Section 3.1, with respect to Registered Securities of any series, that Holders shall have the option, subject to paragraphs (d) and (e) below, to receive payments of principal of, premium, if any, or interest, if any, on such Registered Securities in any of the currencies or currency units which may be designated for such election by delivering to the Trustee (or the applicable Paying Agent) a written election with signature guarantees and in the applicable form established pursuant to Section 3.1, not later than the close of business on the Election Date immediately preceding the applicable payment date. If a Holder so elects to receive such payments in any such currency or currency unit, such election will remain in effect for such Holder or any transferee of such Holder until changed by such Holder or such transferee by written notice to the Trustee (or any applicable Paying Agent) for such series of Registered Securities (but any such change must be made not later than the close of business on the Election Date immediately preceding the next payment date to be effective for the payment to be made on such payment date, and no such change of election may be made with respect to payments to be made on any Registered Security of such series with respect to which an Event of Default has occurred or with respect to which the Company has deposited funds pursuant to Article 4 or with respect to which a notice of redemption has been given by the Company). Any Holder of any such Registered Security who shall not have delivered any such election to the Trustee (or any applicable Paying Agent) not later than the close of business on the applicable Election Date will be paid the amount due on the applicable payment date in the relevant currency or currency unit as provided in Section 3.11(a). The Trustee (or the applicable Paying Agent) shall notify the Exchange Rate Agent as soon as practicable after the Election Date of the aggregate principal amount of Registered Securities for which Holders have made such written election.

(c) If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, then, unless otherwise specified pursuant to Section 3.1 with respect to any such Registered Securities, not later than the fourth Business Day after the Election Date for each payment date for such Registered Securities, the Exchange Rate Agent will deliver to the Company a written notice specifying, in the currency or currencies or currency unit or units in which Registered Securities of such series are payable, the respective aggregate amounts of principal of, premium, if any, and interest, if any, on such Registered Securities to be paid on such payment date, and specifying the amounts in such currency or currencies or currency unit or units so payable in respect of such Registered Securities as to which the Holders of Registered Securities denominated in any currency or currencies or currency unit or units shall have elected to be paid in another currency or currency unit as provided in paragraph (b) above. If the election referred to in paragraph (b) above has been provided for with respect to any Registered Securities of a series pursuant to Section 3.1, and if at least one Holder has made such election, then, unless otherwise specified pursuant to Section 3.1, on the second Business Day preceding such payment date the Company will deliver to the Trustee (or the applicable Paying Agent) an Exchange Rate Officers' Certificate in respect of the Dollar, Foreign Currency or Currencies, ECU or other currency unit payments to be made on such payment date. Unless otherwise specified pursuant to Section 3.1, the Dollar, Foreign Currency or Currencies, ECU or other currency unit amount receivable by Holders of Registered Securities who have elected payment in a currency or currency unit as provided in paragraph (b) above shall be determined by the Company on the basis of the applicable Market Exchange Rate in effect on the second Business Day (the "Valuation Date") immediately preceding each payment date, and such determination shall be conclusive and binding for all purposes, absent manifest error.

(d) If a Conversion Event occurs with respect to a Foreign Currency, ECU or any other currency unit in which any of the Securities are denominated or payable otherwise than pursuant to an election provided for pursuant to paragraph (b) above, then, with respect to each date for the payment of principal of, premium, if any, and interest, if any, on the applicable Securities denominated or payable in such Foreign Currency, ECU or such other currency unit occurring after the last date on which such Foreign Currency, ECU or such other currency unit was used (the "Conversion Date"), the Dollar shall be the currency of payment for use on each such payment date (but such Foreign Currency, ECU or such other currency unit that was previously the currency of payment shall, at the Company's election, resume being the currency of payment on the first such payment date preceded by 15 Business Days during which the circumstances which gave rise to the Dollar becoming such currency no longer prevail). Unless otherwise specified pursuant to Section 3.1, the Dollar amount to be paid by the Company to the Trustee or any applicable Paying Agent and by the Trustee or any applicable Paying Agent to the Holders of such Securities with respect to such payment date shall be, in the case of a Foreign Currency other than a currency unit, the Dollar Equivalent of the Foreign Currency or, in the case of a Foreign Currency that is a currency unit, the Dollar Equivalent of the Currency Unit, in each case as determined by the Exchange Rate Agent in the manner provided in paragraph (f) or (g) below.

(e) Unless otherwise specified pursuant to Section 3.1, if the Holder of a Registered Security denominated in any currency or currency unit shall have elected to be paid in another currency or currency unit or in other currencies as provided in paragraph (b) above, and (i) a Conversion Event occurs with respect to any such elected currency or currency unit, such Holder shall receive payment in the currency or currency unit in which payment would have been made in the absence of such election and (ii) if a Conversion Event occurs with respect to the currency or currency unit in which payment would have been made in the absence of such election, such Holder shall receive payment

in Dollars as provided in paragraph (d) of this Section 3.11 (but, subject to any contravening valid election pursuant to paragraph (b) above, the elected payment currency or currency unit, in the case of the circumstances described in clause (i) above, or the payment currency or currency unit in the absence of such election, in the case of the circumstances described in clause (ii) above, shall, at the Company's election, resume being the currency or currency unit of payment with respect to Holders who have so elected, but only with respect to payments on payment dates preceded by 15 Business Days during which the circumstances which gave rise to such currency or currency unit, in the case of the circumstances described in clause (i) above, or the Dollar, in the case of the circumstances described in clause (ii) above, becoming the currency or currency unit, as applicable, of payment, no longer prevail).

(f) The "Dollar Equivalent of the Foreign Currency" shall be determined by the Exchange Rate Agent and shall be obtained for each subsequent payment date by the Exchange Rate Agent by converting the specified Foreign Currency into Dollars at the Market Exchange Rate on the Conversion Date.

(g) The "Dollar Equivalent of the Currency Unit" shall be determined by the Exchange Rate Agent and, subject to the provisions of paragraph (h) below, shall be the sum of each amount obtained by converting the Specified Amount of each Component Currency (as each such term is defined in paragraph (h) below) into Dollars at the Market Exchange Rate for such Component Currency on the Valuation Date with respect to each payment.

(h) For purposes of this Section 3.11 the following terms shall have the following meanings:

A "Component Currency" shall mean any currency which, on the Conversion Date, was a component currency of the relevant currency unit, including, but not limited to, ECU.

"Election Date" shall mean the Regular Record Date for the applicable series of Registered Securities as specified pursuant to Section 3.1 by which the written election referred to in Section 3.11(b) may be made.

A "Specified Amount" of a Component Currency shall mean the number of units of such Component Currency or fractions thereof which such Component Currency represented in the relevant currency unit, including, but not limited to, ECU, on the Conversion Date. If after the Conversion Date the official unit of any Component Currency is altered by way of combination or subdivision, the Specified Amount of such Component Currency shall be divided or multiplied in the same proportion. If after the Conversion Date two or more Component Currencies are consolidated into a single currency, the respective Specified Amounts of such Component Currencies shall be replaced by an amount in such single currency equal to the sum of the respective Specified Amounts of such consolidated Component Currencies expressed in such single currency, and such amount shall thereafter be a Specified Amount and such single currency shall thereafter be a Component Currency. If after the Conversion Date any Component Currency shall be divided into two or more currencies, the Specified Amount of such Component Currency shall be replaced by specified amounts of such two or more currencies, the sum of which, at the Market Exchange Rate of such two or more currencies on the date of such replacement, shall be equal to the Specified Amount of such former Component Currency and such amounts shall thereafter be Specified Amounts and such currencies shall thereafter be Component Currencies. If, after the Conversion Date of the relevant currency unit, including, but not limited to, ECU, a Conversion Event (other than any event referred to above in this definition of "Specified Amount") occurs with respect to any Component Currency of such currency unit and is continuing on the applicable Valuation Date, the Specified Amount of such Component Currency shall, for purposes of calculating the Dollar Equivalent of the Currency Unit, be converted into Dollars at the Market Exchange Rate in effect on the Conversion Date of such Component Currency.

All decisions and determinations of the Exchange Rate Agent regarding the Dollar Equivalent of the Foreign Currency, the Dollar Equivalent of the Currency Unit, the Market Exchange Rate and changes in the Specified Amounts as specified above shall be in its sole discretion and shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company, the Trustee (and any applicable Paying Agent) and all Holders of Securities denominated or payable in the relevant currency, currencies or currency units. The Exchange Rate Agent shall promptly give written notice to the Company and the Trustee of any such decision or determination.

In the event that the Company determines in good faith that a Conversion Event has occurred with respect to a Foreign Currency, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date. In the event the Company so determines that a Conversion Event has occurred with respect to ECU or any other currency unit in which Securities are denominated or payable, the Company will promptly give written notice thereof to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent (and the Trustee (or such Paying Agent) will promptly thereafter give notice in the manner provided in Section 1.6 to the affected Holders) specifying the Conversion Date and the Specified Amount of each Component Currency on the Conversion Date. In the event the Company determines in good faith that any subsequent change in any Component Currency as set forth in the definition of Specified Amount above has occurred, the Company will similarly give written notice to the Trustee (or any applicable Paying Agent) and to the Exchange Rate Agent.

The Trustee of the appropriate series of Securities shall be fully justified and protected in relying and acting upon information received by it from the Company and the Exchange Rate Agent and shall not otherwise have any duty or obligation to determine the accuracy or validity of such information independent of the Company or the Exchange Rate Agent.

Section 3.12. Appointment and Resignation of Exchange Rate Agent. (a) Unless otherwise specified pursuant to Section 3.1, if and so long as the Securities of any series (i) are denominated in a currency other than Dollars or (ii) may be payable in a currency other than Dollars, or so long as it is required under any other provision of this Indenture, then the Company will maintain with respect to each such series of Securities, or as so required, at least one Exchange Rate Agent. The Company will cause the Exchange Rate Agent to make the necessary foreign exchange determinations at the time and in the manner specified pursuant to Section 3.11 for the purpose of determining the applicable rate of exchange and, if applicable, for the purpose of converting the issued currency or currencies or currency unit or units into

the applicable payment currency or currency unit for the payment of principal, premium, if any, and interest, if any, pursuant to Section 3.11.

(b) No resignation of the Exchange Rate Agent and no appointment of a successor Exchange Rate Agent pursuant to this Section shall become effective until the acceptance of appointment by the successor Exchange Rate Agent as evidenced by a written instrument delivered to the Company and the Trustee of the appropriate series of Securities accepting such appointment executed by the successor Exchange Rate Agent.

(c) If the Exchange Rate Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Exchange Rate Agent for any cause, with respect to the Securities of one or more series, the Company, by or pursuant to a Board Resolution, shall promptly appoint a successor Exchange Rate Agent or Exchange Rate Agents with respect to the Securities of that or those series (it being understood that any such successor Exchange Rate Agent may be appointed with respect to the Securities of one or more or all of such series and that, unless otherwise specified pursuant to Section 3.1, at any time there shall only be one Exchange Rate Agent with respect to the Securities of any particular series that are originally issued by the Company on the same date and that are initially denominated and/or payable in the same currency or currencies or currency unit or units).

Section 3.13. CUSIP Numbers. The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers (in addition to the other identification numbers printed on the Securities) in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE 4

Satisfaction, Discharge and Defeasance

Section 4.1. Termination of Company's Obligations Under the Indenture. Except as otherwise provided as contemplated by Section 3.1, this Indenture shall upon Company Request cease to be of further effect with respect to Securities of or within any series and any coupons appertaining thereto (except as to any surviving rights of registration of transfer or exchange of such Securities and replacement of such Securities which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Securities and any coupons appertaining thereto when:

(1) either

(A) all such Securities previously authenticated and delivered and all coupons appertaining thereto (other than (i) such coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange, surrender of which is not required or has been waived as provided in Section 3.5, (ii) such Securities and coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.6, (iii) such coupons appertaining to Bearer Securities called for redemption and maturing after the relevant Redemption Date, surrender of which has been waived as provided in Section 10.6 and (iv) such Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Securities of such series and, in the case of (i) or (ii) below, any coupons appertaining thereto not theretofore delivered to the Trustee for cancellation

(i) have become due and payable,

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount in the currency or currencies or currency unit or units in which the Securities of such series are payable, sufficient to pay and discharge the entire indebtedness on such Securities and such coupons not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, if any, with respect thereto, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and any predecessor Trustee under Section 6.9, the obligations of the Company to any Authenticating Agent under Section 6.14 and, if money shall have been deposited

with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

Section 4.2. Application of Trust Funds. Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

Section 4.3. Applicability of Defeasance Provisions; Company's Option to Effect Defeasance or Covenant Defeasance. If pursuant to Section 3.1 provision is made for either or both of (i) defeasance of the Securities of or within a series under Section 4.4 or (ii) covenant defeasance of the Securities of or within a series under Section 4.5, then the provisions of such Section or Sections, as the case may be, together with the provisions of Sections 4.6 through 4.9 inclusive, with such modifications thereto as may be specified pursuant to Section 3.1 with respect to any Securities, shall be applicable to such Securities and any coupons appertaining thereto, and the Company may at its option by Board Resolution, at any time, with respect to such Securities and any coupons appertaining thereto, elect to have Section 4.4 (if applicable) or Section 4.5 (if applicable) be applied to such Outstanding Securities and any coupons appertaining thereto upon compliance with the conditions set forth below in this Article.

Section 4.4. Defeasance and Discharge. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to the Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Securities and any coupons appertaining thereto on the date the conditions set forth in Section 4.6 are satisfied (hereinafter "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and any coupons appertaining thereto which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 4.7 and the other Sections of this Indenture referred to in clause (ii) of this Section, and to have satisfied all its other obligations under such Securities and any coupons appertaining thereto and this Indenture insofar as such Securities and any coupons appertaining thereto are concerned (and the Trustee, at the expense of the Company, shall on Company Order execute proper instruments acknowledging the same), except the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Securities and any coupons appertaining thereto to receive, solely from the trust funds described in Section 4.6(a) and as more fully set forth in such Section, payments in respect of the principal of, premium if any, and interest, if any, on such Securities or any coupons appertaining thereto when such payments are due; (ii) the Company's obligations with respect to such Securities under Sections 3.5, 3.6, 9.2 and 9.3 and with respect to the payment of additional amounts, if any, payable with respect to such Securities as specified pursuant to Section 3.1(b)(16); (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder; and (iv) this Article 4. Subject to compliance with this Article 4, the Company may exercise its option under this Section notwithstanding the prior exercise of its option under Section 4.5 with respect to such Securities and any coupons appertaining thereto. Following a defeasance, payment of such Securities may not be accelerated because of an Event of Default.

Section 4.5. Covenant Defeasance. Upon the Company's exercise of the option specified in Section 4.3 applicable to this Section with respect to any Securities of or within a series, the Company shall be released from its obligations under Article 7 and Sections 9.4 and 9.5, and, if specified pursuant to Section 3.1, its obligations under any other covenant, with respect to such Securities and any coupons appertaining thereto on and after the date the conditions set forth in Section 4.6 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any coupons appertaining thereto shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with Article 7 and Sections 9.4 and 9.5, or such other covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, with respect to such Securities and any coupons appertaining thereto, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1(3) or 5.1(5) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities and any coupons appertaining thereto shall be unaffected thereby.

Section 4.6. Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of Section 4.4 or Section 4.5 to any Securities of or within a series and any coupons appertaining thereto:

- (a) The Company shall have deposited or caused to be deposited irrevocably with the Trustee (or another trustee satisfying the requirements of Section 6.11 who shall agree to comply with, and shall be entitled to the benefits of, the provisions of Sections 4.3 through 4.9 inclusive and the last paragraph of Section 9.3 applicable to the Trustee, for purposes of such Sections also a "Trustee") as trust funds in trust for the purpose of making the payments referred to in clauses (x) and (y) of this Section 4.6(a), specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any coupons appertaining thereto, with instructions to the Trustee as to the application thereof, (A) money in an amount (in such currency, currencies or currency unit in which such Securities and any coupons appertaining thereto are then specified as payable at Maturity), or (B) if Securities of such series are not subject to repayment at the option of Holders, Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment referred to in clause (x) or (y) of this Section 4.6(a), money in an amount or (C) a combination thereof in an amount, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee to pay and discharge, (x) the principal of, premium, if any, and interest, if any, on such Securities and any coupons appertaining thereto on the Maturity of such principal or installment of principal or interest and (y) any mandatory sinking fund payments applicable to such Securities on the day on which such payments are due and payable

in accordance with the terms of this Indenture and such Securities and any coupons appertaining thereto. Before such a deposit the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date or dates in accordance with Article 10, which shall be given effect in applying the foregoing.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a Default or Event of Default under, this Indenture or result in a breach or violation of, or constitute a default under, any other material agreement or instrument to which the Company is a party or by which it is bound.

(c) No Default or Event of Default under Section 5.1(4) or 5.1(5) with respect to such Securities and any coupons appertaining thereto shall have occurred and be continuing during the period commencing on the date of such deposit and ending on the 91st day after such date (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(d) In the case of an election under Section 4.4, the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel to the effect that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred.

(e) In the case of an election under Section 4.5, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Securities and any coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(f) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance under Section 4.4 or the covenant defeasance under Section 4.5 (as the case may be) have been complied with and an Opinion of Counsel to the effect that either (i) as a result of a deposit pursuant to subsection (a) above and the related exercise of the Company's option under Section 4.4 or Section 4.5 (as the case may be), registration is not required under the Investment Company Act of 1940, as amended, by the Company, with respect to the trust funds representing such deposit or by the trustee for such trust funds or (ii) all necessary registrations under said act have been effected.

(g) Such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company in connection therewith as contemplated by Section 3.1.

Section 4.7. Deposited Money and Government Obligations to Be Held in Trust. Subject to the provisions of the last paragraph of Section 9.3, all money and Government Obligations (or other property as may be provided pursuant to Section 3.1) (including the proceeds thereof) deposited with the Trustee pursuant to Section 4.6 in respect of any Securities of any series and any coupons appertaining thereto shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and any coupons appertaining thereto and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities and any coupons appertaining thereto of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

Unless otherwise specified with respect to any Security pursuant to Section 3.1, if, after a deposit referred to in Section 4.6(a) has been made, (i) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 3.11(b) or the terms of such Security to receive payment in a currency or currency unit other than that in which the deposit pursuant to Section 4.6(a) has been made in respect of such Security, or (ii) a Conversion Event occurs as contemplated in Section 3.11(d) or 3.11(e) or by the terms of any Security in respect of which the deposit pursuant to Section 4.6(a) has been made, the indebtedness represented by such Security and any coupons appertaining thereto shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of, premium, if any, and interest, if any, on such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the currency or currency unit in which such Security becomes payable as a result of such election or Conversion Event based on the applicable Market Exchange Rate for such currency or currency unit in effect on the second Business Day prior to each payment date, except in the case of a Conversion Event with respect to such currency or currency unit which is in effect (as nearly as feasible) at the time of the Conversion Event.

Section 4.8. Transfers and Distribution at Company Request. To the extent permitted by the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 76, as amended or interpreted by the Financial Accounting Standards Board from time to time, or any successor thereto ("Standard No. 76"), or to the extent permitted by the Commission, the Trustee shall, from time to time, take one or more of the following actions as specified in a Company Request:

(a) Retransfer, reassign and deliver to the Company any securities deposited with the Trustee pursuant to Section 4.6(a), provided that the Company shall, in substitution therefor, simultaneously transfer, assign and deliver to the Trustee other Government Obligations appropriate to satisfy the Company's obligations in respect of the relevant Securities; and

(b) The Trustee (and any Paying Agent) shall promptly pay to the Company, upon Company Request, any excess money or securities held by them at any time, including, without limitation, any assets deposited with the Trustee pursuant to Section

4.6(a) exceeding those necessary for the purposes of Section 4.6(a). The Trustee shall not take the actions described in subsections (a) and (b) of this Section 4.8 unless it shall have first received a written report of Arthur Andersen LLP, or another nationally recognized independent public accounting firm, (i) expressing their opinion that the contemplated action is permitted by Standard No. 76 or the Commission, for transactions accounted for as extinguishment of debt under the circumstances described in paragraph 3.c of Standard No. 76 or any successor provision, and (ii) verifying the accuracy, after giving effect to such action or actions, of the computations which demonstrate that the amounts remaining to be earned on the Government Obligations deposited with the Trustee pursuant to Section 4.6(a) will be sufficient for purposes of Section 4.6(a).

ARTICLE 5

Defaults and Remedies

Section 5.1. Events of Default. An "Event of Default" occurs with respect to the Securities of any series if (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article 12 or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Security of that series or any coupon appertaining thereto or any additional amount payable with respect to any Security of that series as specified pursuant to Section 3.1(b)(16) when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Security of that series when the same becomes due and payable at its Maturity or on redemption or otherwise, or in the payment of a mandatory sinking fund payment when and as due by the terms of the Securities of that series, and in each case such default continues for a period of ten days;

(3) the Company defaults in the performance of, or breaches, any covenant or warranty of the Company in this Indenture, with respect to any Security of that series (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) the Company pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (D) makes a general assignment for the benefit of its creditors;

(5) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company for all or substantially all of its property, or (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 90 days; or

(6) any other Event of Default provided as contemplated by Section 3.1 with respect to Securities of that series.

The term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 5.2. Acceleration; Rescission and Annulment. If an Event of Default with respect to the Securities of any series at the time Outstanding occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the outstanding Securities of that series, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all the Securities of that series to be due and payable and upon any such declaration such principal (or, in the case of original Issue Discount Securities or Indexed Securities, such specified amount) shall be immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the outstanding Securities of that series, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default with respect to Securities of that series, other than the non-payment of the principal of Securities of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any interest on any Security or coupon, if any, when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof and such default continues for a period of 10 days, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders

of such Securities or coupons, if any, the whole amount then due and payable on such Securities for principal, premium, if any, and interest, if any, and, to the extent that payment of any such interest shall be legally enforceable, interest on any overdue principal or premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Securities or coupons, if any, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.4. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Securities allowed in any judicial proceedings relating to the Company, its creditors or its property.

Section 5.5. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto.

Section 5.6. Delay or Omission Not Waiver. No delay or omission by the Trustee or any Holder of any Securities to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

Section 5.7. Waiver of Past Defaults. The Holders of a majority in aggregate principal amount of Outstanding Securities of any series by notice to the Trustee may waive on behalf of the Holders of all Securities of such series a past Default or Event of Default with respect to that series and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest, if any, on any Security of such series or any coupon appertaining thereto or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each outstanding Security of such series adversely affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

Section 5.8. Control by Majority. The Holders of a majority in aggregate principal amount of the Outstanding Securities of each series affected (with each such series voting as a class) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to Securities of that series; provided, however, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Securities of such series not consenting, or that would in the good faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.9. Limitation on Suits by Holders. No Holder of any Security of any series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) the Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;
- (2) the Holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;
- (4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series have not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Section 5.10. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, but subject to Section 9.2, the right of any Holder of a Security or coupon to receive payment of principal of, premium, if any, and, subject to Sections 3.5 and 3.7, interest, if any, on the Security, on or after the respective due dates expressed in the Security (or, in case of redemption, on the redemption dates) and the right of any Holder of a coupon to receive payment of interest due as provided in such coupon, or, subject to Section 5.9, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of

such Holder.

Section 5.11. Application of Money Collected. Subject to Article 12, if the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, if any, upon presentation of the Securities and any coupons appertaining thereto and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: to the Trustee for amounts due under Section 6.9;

Second: to Holders of Securities and coupons in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Securities for principal of, premium, if any, and interest, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, if any, respectively; and

Third: to the Person or Persons entitled thereto.

Section 5.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.13. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.14. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company, and any provision of the Trust Indenture Act to such effect is hereby expressly excluded from this Indenture, as permitted by the Trust Indenture Act.

Section 5.15. Action Respecting Securities Held in UAL Corporation Capital Trust. With respect to any series of Securities held as trust assets of a UAL Corporation Capital Trust and with respect to which a Security Exchange has not theretofore occurred, any authorization, approval, consent, request, notice, waiver or other action of Holders required or permitted to be taken under this Indenture or pursuant to the terms of any Security, in addition to any other authorization, approval, consent, request, notice, waiver or other action required hereunder, will require such authorization, approval, consent, request, notice, waiver or other action of holders of the Preferred Securities and the Common Securities of such UAL Corporation Capital Trust as may be required under the Declaration of Trust of such UAL Corporation Capital Trust.

ARTICLE 6

The Trustee

Section 6.1. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing with respect to the Securities of any series, the Trustee shall exercise such of the rights and powers vested in it by this Indenture with respect to the Securities of such series, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities of such series.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 6.2. Rights of Trustee. Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Security, and any coupons appertaining thereto, to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein), and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate.

(d) The Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

(g) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(h) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(i) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 6.3. Trustee May Hold Securities. The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 6.4. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed to in writing with the Company.

Section 6.5. Trustee's Disclaimer. The recitals contained herein and in the Securities, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture, the Securities or any coupon. The Trustee shall not be accountable for the Company's use of the proceeds from the Securities or for monies paid over to the Company pursuant to the Indenture.

Section 6.6. Notice of Defaults. If a Default occurs and is continuing with respect to the Securities of any series and if it is known to

the Trustee, the Trustee shall, within 90 days after it occurs, transmit, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all uncured Defaults known to it; provided, however, that, in the case of a Default in payment on the Securities of any series, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a committee of its Responsible Officers in good faith determines that withholding such notice is in the interests of Holders of Securities of that series; provided further that, in the case of any default or breach of the character specified in Section 5.1(3) with respect to the Securities and coupons of such series, no such notice to Holders shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

Section 6.7. Reports by Trustee to Holders. (a) Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Securities as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by Section 313(a) of the Trust Indenture Act. The Trustee also shall comply with Section 313(b) and (d) of the Trust Indenture Act.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed, with the Commission and with the Company. The Company will promptly notify the Trustee when the Securities are listed on any stock exchange.

Section 6.8. Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Securities of each series. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Securities of each such series. If there are Bearer Securities of any series outstanding, even if the Trustee is the Registrar, the Company shall furnish to the Trustee such a list containing such information with respect to Holders of such Bearer Securities only.

Section 6.9. Compensation and Indemnity. (a) The Company shall pay to the Trustee from time to time such compensation as shall be agreed to in writing between the Company and the Trustee for all services rendered by it hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith.

(b) The Company shall indemnify the Trustee and any predecessor Trustee for, and hold it harmless against, any loss, liability or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), incurred by it without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of the trust or trusts hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Securities of any series on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest, if any, on particular Securities.

(e) When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 5.1(4) or Section 5.1(5), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

(f) The provisions of this Section shall survive the termination of this Indenture.

Section 6.10. Replacement of Trustee. (a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities of any series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Securities of any series may remove the Trustee with respect to that series by so notifying the Trustee and the Company and may appoint a successor Trustee for such series with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months;

(2) the Trustee shall cease to be eligible under Section 310(a) of the Trust Indenture Act and shall fail to resign after written

request therefor by the Company or by any Holder of a Security who has been a bona fide Holder of a Security for at least six months; or

(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation; then, in any such case, (i) the Company by or pursuant to a Board Resolution may remove the Trustee with respect to all Securities, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all other persons similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to Securities of one or more series, the Company, by or pursuant to Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 6.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.11, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.11, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

Section 6.11. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and such successor Trustee shall execute and deliver an indenture supplemental hereto wherein such successor Trustee shall accept such appointment and which (i) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, such successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (ii) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (iii) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(e) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series in the manner provided for notices to the Holders of Securities in Section 1.6. Each notice shall include the name of the successor Trustee with respect to the securities of such series and the address of its Corporate Trust office.

Section 6.12. Eligibility; Disqualification. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least \$75,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 6.14. Appointment of Authenticating Agent. The Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue, exchange, registration of transfer or partial redemption thereof, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and, except as may otherwise be provided pursuant to Section 3.1, shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$1,500,000 and subject to supervision or examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent for any series of Securities may at any time resign by giving written notice of resignation to the Trustee for such series and to the Company. The Trustee for any series of Securities may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee for such series may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation including reimbursement of its reasonable expenses for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of a series issued under the within-mentioned Indenture.

Dated: _____ The First National Bank of Chicago,
as Trustee
By _____
as Authenticating Agent
By _____
Authorized Signatory

Sections 6.2, 6.3, 6.5 and 6.9 shall be applicable to any Authenticating Agent.

Section 6.15. Trustee's Application for Instructions from the Company. Any application by the Trustee for written instructions from the Company may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than fifteen Business Days after the date any officer of the Company actually receives such

application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Trustee shall have received written instructions in response to such application specifying the action to be taken or omitted.

ARTICLE 7

Consolidation, Merger or Sale by the Company

The Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i)(A) in the case of a merger or consolidation, the Company is the surviving corporation or (B) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of any such sale, conveyance or other disposition, the successor or acquiring corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Company under the Securities and any coupons appertaining thereto and under this Indenture, (ii) immediately thereafter, giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing, and (iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger or consolidation, or such sale, conveyance, transfer or other disposition complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the event of the assumption by a successor corporation of the obligations of the Company as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Securities and any coupons appertaining thereto and all such obligations of the Company shall terminate.

ARTICLE 8

Supplemental Indentures

Section 8.1. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

- (1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities;
- (2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company;
- (3) to add any additional Events of Default with respect to all or any series of Securities;
- (4) to add to or change any of the provisions of this Indenture to such extent as shall be necessary to facilitate the issuance of Bearer Securities (including, without limitation, to provide that Bearer Securities may be registrable as to principal only) or to facilitate the issuance of Securities in global form;
- (5) to add to, change or eliminate any of the provisions of this Indenture, provided that any such addition, change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;
- (6) to secure the Securities;
- (7) to establish the form or terms of Securities of any series as permitted by Sections 2.1 and 3.1;
- (8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.10;
- (9) if allowed without penalty under applicable laws and regulations, to permit payment in the United States (including any of the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction of principal, premium, if any, or interest, if any, on Bearer Securities or coupons, if any;
- (10) to correct or supplement any provision herein or in any supplemental indenture which may be defective or inconsistent with any other provision herein or in any supplemental indenture, to cure any ambiguity or correct any mistake or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not adversely affect the interests of the Holders of Securities of any series; or
- (11) to comply with any requirement of the Commission in connection with the qualification of this Indenture under the

Trust Indenture Act.

Section 8.2. Supplemental Indentures With Consent of Holders. With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture, the Company and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of Securities of each such series; provided, however, that without the consent of the Holder of each Outstanding Security affected thereby, an amendment under this Section may not:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security (except that a valid extension of an interest payment period by the Company, in accordance with the terms of any indenture supplemental hereto, shall not constitute a change for this purpose) or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2, or change the coin or currency in which, any Securities or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or modify the provisions of this indenture with respect to the subordination of the Securities, or adversely affect the right to convert any Security as may be provided pursuant to Section 3.1 herein;

(2) reduce the percentage of principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2;

(4) adversely affect the right to convert the Securities of any series as provided in Article 12 hereof; or

(5) make any change in Section 5.7 or this Section 8.2 except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived with the consent of the Holders of each Outstanding Security affected thereby.

For the purposes of this Section 8.2, if the Securities of any series are issuable upon the exercise of warrants, any holder of an unexercised and unexpired warrant with respect to such series shall not be deemed to be a Holder of Outstanding Securities of such series in the amount issuable upon the exercise of such warrants.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture, which has expressly been included solely for the benefit of one or more particular series of Securities, or that modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be canceled and of no further effect.

Section 8.3. Compliance with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall comply with the requirements of the Trust Indenture Act as then in effect.

Section 8.4. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 8.5. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder and of any coupon appertaining thereto shall be bound thereby.

Section 8.6. Reference in Securities to Supplemental Indentures. Securities, including any coupons, of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities including any coupons of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities including any coupons of such series.

ARTICLE 9

Covenants

Section 9.1. **Payment of Principal, Premium, If Any, and Interest.** The Company covenants and agrees for the benefit of the Holders of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest, if any, on the Securities of that series in accordance with the terms of the Securities of such series, any coupons appertaining thereto and this Indenture. An installment of principal or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

If at any time while the Trustee is the Holder of any Securities, any UAL Corporation Capital Trust or the Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as additional interest ("Additional Interest") on the Securities held by the Trustee, such amounts as shall be required so that the net amounts received and retained by such UAL Corporation Capital Trust and the Trustee after paying any such taxes, duties, assessments or other governmental charges will be not less than the amounts such UAL Corporation Capital Trust and the Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

Section 9.2. **Maintenance of Office or Agency.** If Securities of a series are issued as Registered Securities, the Company will maintain in each Place of Payment for any series of Securities an office or agency where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange, where Securities may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company will maintain, (i) subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for that series which is located outside the United States, where Securities of that series and related coupons may be presented and surrendered for payment; provided, however, that if the Securities of that series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange, and (ii) subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States, where Securities of that series may be surrendered for exchange and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Unless otherwise specified as contemplated by Section 3.1, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States, by check mailed to any address in the United States, by transfer to an account located in the United States or upon presentation or surrender in the United States of a Bearer Security or coupon for payment, even if the payment would be credited to an account located outside the United States; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of and any premium or interest on any such Bearer Security shall be made at the office of the Company's Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment in Dollars of the full amount of such principal, premium or interest, as the case may be, at all offices or agencies outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies where the Securities (including any coupons, if any) of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities (including any coupons, if any) of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Unless otherwise specified as contemplated by Section 3.1, the Trustee shall initially serve as Paying Agent.

Section 9.3. **Money for Securities to Be Held in Trust; Unclaimed Money.** If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest, if any, on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest, if any, so becoming due until such sums shall be paid to such persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of, premium, if any, or interest, if any, on Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Company (or any other obligor upon the Securities of that series) in the

making of any payment of principal, premium, if any, or interest, if any, on the Securities; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Security of any series and remaining unclaimed for two years after such principal, premium, if any, or interest, if any, has become due and payable shall be paid to the Company on Company Request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security and coupon, if any, shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 9.4. Corporate Existence. Subject to Article 7, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence; provided that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company, if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company and does not materially adversely affect the ability of the Company to operate its business or to fulfill its obligations hereunder.

Section 9.5. Insurance. The Company covenants and agrees that it will maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations or through a program of self-insurance in such amounts and covering such risks as are consistent with sound business practice for corporations engaged in the same or a similar business similarly situated.

Section 9.6. Reports by the Company. The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which it may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if it is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by it with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Securities, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by it pursuant to subsections (a) and (b) of this Section 9.6, as may be required by rules and regulations prescribed from time to time by the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 9.7. Annual Review Certificate. The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.7, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

Section 9.8. Limitation on Dividends and Capital Stock Acquisitions. The Company covenants and agrees that, if at any time it has failed to make any payment of interest, principal or premium on the Securities when due (after giving effect to any grace period for payment thereof as provided in Section 5.1), the Company will not, until all defaulted interest on the Securities and all principal and premium, if any, then due and payable on the Securities shall have been paid in full, (i) declare, set aside or pay any dividend or distribution on any capital stock of the Company (except for dividends or distributions in shares of its capital stock or rights to acquire shares of its capital stock), or (ii)

repurchase, redeem or otherwise acquire, or make any sinking fund payment for the purchase or redemption of, any shares of its capital stock (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries); provided, however, that any moneys theretofore deposited in any sinking fund with respect to any preferred stock of the Company in compliance with this Section 9.8 and the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund without regard to the restrictions in this Section 9.8.

Section 9.9. Notice of Default. The Company shall file with the Trustee written notice of the occurrence of any Default or Event of Default within 30 Business Days of its becoming aware of any such Default or Event of Default.

ARTICLE 10

Redemption

Section 10.1. Applicability of Article. Securities (including coupons, if any) of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 3.1 for Securities of any series) in accordance with this Article.

Section 10.2. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Securities, including coupons, if any, shall be evidenced by or pursuant to a Board Resolution or an Officers' Certificate. In the case of any redemption at the election of the Company of less than all the Securities or coupons, if any, of any series, the Company shall, at least 60 days prior to the Redemption Date, of the principal amount of Securities of such series to be redeemed and, if applicable, of the tenor of the Securities to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 10.3. Selection of Securities to Be Redeemed. Unless otherwise specified as contemplated by Section 3.1, if less than all the Securities (including coupons, if any) of a series with the same original issue date, interest rate and Stated Maturity are to be redeemed, the Trustee, not more than 45 days prior to the redemption date, shall select the Securities of the series to be redeemed in such manner as the Trustee shall deem fair and appropriate. The Trustee shall make the selection from Securities of the series that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities, including coupons, if any, of that series or any integral multiple thereof) of the principal amount of Securities, including coupons, if any, of such series of a denomination larger than the minimum authorized denomination for Securities of that series. The Trustee shall promptly notify the Company in writing of the Securities selected by the Trustee for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities (including coupons, if any) shall relate, in the case of any Securities (including coupons, if any) redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities (including coupons, if any) which has been or is to be redeemed.

Section 10.4. Notice of Redemption. Unless otherwise specified as contemplated by Section 3.1, notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of the Securities to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if fewer than all the Outstanding Securities of a series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Security or Securities to be redeemed;
- (4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the holder will receive, without a charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed;
- (5) the Place or Places of Payment where such Securities, together in the case of Bearer Securities with all coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment for the Redemption Price;
- (6) that Securities of the series called for redemption and all unmatured coupons, if any, appertaining thereto must be surrendered to the Paying Agent to collect the Redemption Price;
- (7) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date;

(8) that the redemption is for a sinking fund, if such is the case;

(9) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all coupons maturing subsequent to the Redemption Date or the amount of any such missing coupon or coupons will be deducted from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished; and

(10) CUSIP number.

Notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 10.5. Deposit of Redemption Price. On or prior to 12:00 noon New York City time on any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 9.3) an amount of money in the currency or currencies (including currency units or composite currencies) in which the Securities of such series are payable (except as otherwise specified pursuant to Section 3.1 for the Securities of such series) sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Securities or portions thereof which are to be redeemed on that date.

Unless any Security by its terms prohibits any sinking fund payment obligation from being satisfied by delivering and crediting Securities (including Securities redeemed otherwise than through a sinking fund), the Company may deliver such Securities to the Trustee for crediting against such payment obligation in accordance with the terms of such Securities and this Indenture.

Section 10.6. Securities Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the coupons for any such interest appertaining to any Bearer Security so to be redeemed, except to the extent provided below, shall be void. Except as provided in the next succeeding paragraph, upon surrender of any such Security, including coupons, if any, for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that installments of interest on Bearer Securities whose Stated Maturity is prior to the Redemption Date shall be payable only at an office or agency located outside the United States and its possessions (except as otherwise provided in Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of coupons for such interest; and provided further that, unless otherwise specified as contemplated by Section 3.1, installments of interest on Registered Securities whose Stated Maturity is prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Bearer Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by coupons shall be payable only at an office or agency located outside of the United States (except as otherwise provided pursuant to Section 9.2) and, unless otherwise specified as contemplated by Section 3.1, only upon presentation and surrender of those coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 10.7. Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part at any Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Security, without service charge, a new Security or Securities of the same series, the same form and the same Maturity in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal of the Security surrendered.

ARTICLE 11

Sinking Funds

Section 11.1. Applicability of Article. The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 3.1 for Securities of such series. The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 11.2. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

Section 11.2. Satisfaction of Sinking Fund Payments with Securities. The Company (i) may deliver Outstanding Securities of a series (other than any previously called for redemption) together, in the case of Bearer Securities of such series, with all unmatured coupons appertaining thereto and (ii) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

Section 11.3. Redemption of Securities for Sinking Fund. Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 11.2 and will also deliver to the Trustee any Securities to be so delivered. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 10.3 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 10.4. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 10.6 and 10.7.

ARTICLE 12

Subordination of Securities

Section 12.1. Securities Subordinated to Senior Indebtedness.

(a) The Company agrees, and each Holder of the Securities by acceptance thereof likewise agrees, that the payment of the principal of, premium, if any, and interest, if any, on the Securities is subordinated, to the extent and in the manner provided in this Article 12, to the prior payment in full of all Senior Indebtedness of the Company.

(b) All provisions of this Article 12 shall be subject to Section 12.14.

Section 12.2. Company Not to Make Payments with Respect to Securities in Certain Circumstances; Limitations on Acceleration of Securities.

(a) Upon the maturity of any Senior Indebtedness of the Company by lapse of time, acceleration or otherwise, all obligations with respect thereto shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of, premium, if any, or interest, if any, on the Securities or to redeem, retire, purchase, deposit moneys for the defeasance of or acquire any of the Securities.

(b) Upon the happening of (i) any default in payment of any Senior Indebtedness of the Company or (ii) any other default on Senior Indebtedness of the Company and the maturity of such Senior Indebtedness is accelerated in accordance with its terms, then, unless (w) such default relates to Senior Indebtedness of the Company in an aggregate amount equal to or less than \$20 million, (x) such default shall have been cured or waived or shall have ceased to exist, (y) any such acceleration has been rescinded, or (z) such Senior Indebtedness has been paid in full, no direct or indirect payment in cash, property or securities, by set-off or otherwise (except payment of the Securities from funds previously deposited in accordance with Section 4.1 at any time such deposit was not prohibited by this Indenture), shall be made or agreed to be made by the Company on account of the principal of, premium, if any, or interest, if any, on the Securities, or in respect of any redemption, retirement, purchase, deposit of moneys for the defeasance or other acquisition of any of the Securities in the case of such a default in Senior Indebtedness of the Company, the Company shall not deposit money for any such payment or distribution with the Trustee or any Paying Agent nor shall the Company (if the Company is acting as its own Paying Agent) segregate and hold in trust money for any such payment or distribution.

(c) Upon the happening of an event of default (other than under circumstances when the terms of paragraph (b) of this Section 12.2 are applicable) with respect to any Senior Indebtedness of the Company pursuant to which the holders thereof are entitled under the terms of such Senior Indebtedness to immediately accelerate the maturity thereof (without further notice or expiration of any applicable grace periods), upon written notice thereof given to each of the Company and the Trustee by the trustee for or other representative of the holders of at least \$25 million of Senior Indebtedness of the Company (a "Payment Notice"), then, unless and until such event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment in cash, property or securities, by set-off or otherwise (except payment of the Securities from funds previously deposited in accordance with Section 4.1 at any time such deposit was not prohibited by this Indenture), shall be made or agreed to be made by the Company on account of the principal of or premium, if any, or interest, if any, on the Securities, or in respect of any redemption, retirement, purchase, deposit of moneys for the defeasance or other acquisition of any of the Securities, and the Company shall not deposit money for any such payment or distribution with the Trustee or any Paying Agent nor shall the Company or a Subsidiary (if the Company or such Subsidiary is acting as Paying Agent) segregate and hold in trust money for any such payment or distribution (a "Payment Block"); provided, however, that this Section 12.2(c) shall not prevent the making of any payment for more than 120 days after a Payment Notice shall have been given unless the Senior Indebtedness in respect of which such event of default exists has been declared due and payable in its entirety, in which case no such payment shall be made until such acceleration has been

rescinded or annulled or such Senior Indebtedness has been paid in full in accordance with its terms. Notwithstanding the foregoing, (i) not more than one Payment Notice shall be given with respect to a particular event of default (which shall not bar subsequent Payment Notices for other such events of default), (ii) all events of default under Senior Indebtedness occurring within any 30-day period shall be treated as one event of default to the extent that one or more Payment Notices are issued in connection therewith and (iii) no more than two Payment Blocks shall be permitted within any period of 12 consecutive months. Any payment made in contravention of the provisions of this Section 12.2(c) shall be returned to the Company.

(d) In the event that, notwithstanding the provisions of Section 12.2(a) or 12.2(b), the Trustee or the Holder of any Security shall have received any payment on account of the principal of or premium, if any, or interest, if any, on the Securities in contravention of Section 12.2(a) or 12.2(b) or after the happening of a default in payment of any Senior Indebtedness of the Company, or any acceleration of the maturity of any Senior Indebtedness of the Company, then, in either such case, except in the case of any such default which shall have been cured or waived or shall have ceased to exist, such payment (subject to the provisions of Sections 12.6 and 12.7) shall be held for the benefit of, and shall be paid over and delivered to, the holders of such Senior Indebtedness of the Company (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness of the Company held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Indebtedness of the Company may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness of the Company remaining unpaid to the extent necessary to pay all Senior Indebtedness of the Company in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness of the Company.

(e) (1) Upon the occurrence of an Event of Default under Section 5.1(1) through (3) and (6), the Trustee or holders of 25% of the outstanding principal amount of the Securities of any series must give notice of such Event of Default and the intention to accelerate to the Company and any holders of Senior Indebtedness which have theretofore requested of the Trustee such notice, and no acceleration of the Securities of any series shall be effective unless and until such Event of Default is continuing on the sixtieth day after the date of delivery of such notice. The Company may pay the holders of the Securities of any series any defaulted payment and all other amounts due following any such acceleration of the maturity of the Securities if Section 12.2(a) would not prohibit such payment to be made at that time.

(2) Nothing in this Article 12 shall prevent or delay the Trustee or the holders of the Securities from taking any action in connection with the acceleration of the maturity of the Securities pursuant to Section 5.2 upon the occurrence of an Event of Default under either of Section 5.1(4) or 5.1(5).

(3) Except as provided in Section 12.2(e)(1), a failure to make any payment with respect to the Securities as a result of the rights of holders of Senior Indebtedness of the Company described in Section 12.2(b) or 12.2(c) will not have any effect on the right of holders of the Securities to accelerate the maturities thereof as a result of such payment default. The Company shall give prompt written notice to the Trustee of any default in the payment of principal of or interest on any Senior Indebtedness of the Company, and in the event of any such default, shall provide to the Trustee, in the form of an Officers' Certificate, the names, addresses and respective amounts due holders of such Senior Indebtedness or the name and address of the trustee acting on their behalf, if any. The Trustee shall be entitled to rely conclusively on such Officers' Certificate without independent verification.

Section 12.3. Securities Subordinated to Prior Payment of All Senior Indebtedness on Dissolution, Liquidation or Reorganization of the Company. Upon the distribution of assets of the Company in any Dissolution, winding up, liquidation (total or partial) or similar proceeding relating to the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(1) the holders of all Senior Indebtedness of the Company shall first be entitled to receive payment in full of all Senior Indebtedness (or to have such payment duly provided for in a manner satisfactory to them) in cash or in a manner satisfactory to the holders of Senior Indebtedness of the Company before the Holders of the Securities, in the case of Senior Indebtedness of the Company, are entitled to receive any payment on account of the principal of, premium, if any, or interest, if any, on the Securities;

(2) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other company, trust or corporation provided for by a plan of reorganization or readjustment, the payment of which is junior or otherwise subordinate, at least to the extent provided in this Article 12 with respect to the Securities, to the payment of all Senior Indebtedness of the Company at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of the Company at the time outstanding), to which the Holders of the Securities or the Trustee on behalf of the Holders of the Securities would be entitled except for the provisions of this Article 12, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of the Senior Indebtedness of the Company or their representatives or to the trustee under any indenture under which such Senior Indebtedness may have been issued (pro rata) as to each such holder, representative or trustee on the basis of respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness of the Company remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness; and

(3) in the event that notwithstanding the foregoing provisions of this Section 12.3, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company as reorganized or readjusted or securities of the Company or any other company, trust or corporation provided for by a plan of reorganization or readjustment, the payment of which is junior or otherwise subordinate, at least to the extent provided in this Article 12 with respect to the Securities, to the payment of all Senior Indebtedness of the Company at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Indebtedness of the Company at the

time outstanding), shall be received by the Trustee or the Holders of the Securities on account of principal of, premium, if any, or interest, if any, on the Securities before all Senior Indebtedness of the Company is paid in full in cash or in a manner satisfactory to the holders of such Senior Indebtedness in accordance with its terms, or effective provision made for its payment, such payment or distribution (subject to the provisions of Sections 12.6 and 12.7) shall be received and held for the benefit of and paid over to the holders of the Senior Indebtedness of the Company remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which such Senior Indebtedness of the Company may have been issued (pro rata as provided in paragraph (2) above), for application to the payment of such Senior Indebtedness of the Company to the extent necessary to pay all such Senior Indebtedness of the Company in full in cash or in a manner satisfactory to the holders of Senior Indebtedness of the Company, in accordance with its terms, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness of the Company.

The Company shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Company or any assignment for the benefit of the Company's creditors tending toward the liquidation of the business and assets of the Company.

Section 12.4. Holders to Be Subrogated to Rights of Holders of Senior Indebtedness. Upon the payment in full of all Senior Indebtedness of the Company in cash or in a manner satisfactory to the holders of such Senior Indebtedness, the Holders of the Securities shall be subrogated equally and ratably to the rights of the holders of Senior Indebtedness of the Company to receive payments or distributions of assets of the Company applicable to the Senior Indebtedness of the Company until all amounts owing on the Securities shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of Senior Indebtedness of the Company by or on behalf of the Company or by or on behalf of Holders of the Securities by virtue of this Article 12 which otherwise would have been made to the Holders of the Securities shall, as between the Company and the Holders of the Securities, be deemed to be payment by the Company to or on account of Senior Indebtedness of the Company, it being understood that the provisions of this Article 12 are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of Senior Indebtedness of the Company, on the other hand.

Section 12.5. Obligation of the Company Unconditional. Nothing contained in this Article 12 or elsewhere in this Indenture or in any Security is intended to or shall impair, as between the Company and the Holders of the Securities, the obligations of the Company, which are absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest, if any, on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company other than the holders of Senior Indebtedness of the Company, nor, except as expressly provided in this Article 12, shall anything herein or in the Securities prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 12 of the holders of Senior Indebtedness of the Company in respect of cash, property or securities of the Company upon the exercise of any such remedy. Upon any distribution of assets of the Company referred to in this Article 12, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities shall be entitled to rely upon any order or decree by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or the Holders of the securities, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness of the Company and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 12.

Nothing contained in this Article 12 or elsewhere in this Indenture or in any Security is intended to or shall affect the obligations of the Company to make, or prevent the Company from making, at any time except during the pendency of any dissolution, winding up, liquidation (total or partial) or similar proceeding, and except during the continuance of any event specified in Section 12.2 (not cured or waived), payments at any time of the principal of (or premium, if any) or interest, if any, on the Securities.

Section 12.6. Knowledge of Trustee. Notwithstanding any provision of this Indenture, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee until three Business Days after a Responsible Officer of the Trustee on behalf of the Trustee shall have received at the Corporate Trust Office of the Trustee written notice thereof from the Company, any Holder, or the holder or representative of any class of Senior Indebtedness of the Company identifying the specific sections of this Indenture involved and describing in detail the facts that would obligate the Trustee to withhold payments to Holders of Securities, and prior to such time, the Trustee, subject to the provisions of Section 6.1, shall be entitled in all respects conclusively to assume that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of a written notice by an individual representing himself to be a holder of Senior Indebtedness of the Company (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of any such Senior Indebtedness or a trustee on behalf of any such holder.

In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as a holder of Senior Indebtedness of the Company to participate in any payment or distribution pursuant to this Article, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness of the Company held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

Section 12.7. Application by Trustee of Moneys Deposited with It. If two Business Days prior to the date on which by the terms of this Indenture any moneys deposited with the Trustee or any Paying Agent (other than the Company or a Subsidiary) may become payable for any purpose (including, without limitation, the payment of the principal of, premium, if any, or interest, if any, on any Security) the Trustee shall not have received with respect to such moneys the notice provided for in Section 12.6, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section 12.7 shall be construed solely for the benefit of the Trustee and

Paying Agent and shall not otherwise affect the rights of holders of such Senior Indebtedness.

Section 12.8. Subordination Rights Not Impaired by Acts or Omissions of Company or Holders of Senior Indebtedness. No right of any present or future holders of any Senior Indebtedness of the Company to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act by any such holder, or by any noncompliance by the Company with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

Section 12.9. Holders Authorize Trustee to Effectuate Subordination of Securities. Each Holder of the Securities by his acceptance thereof authorizes and expressly directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate in the discretion of the Trustee to effectuate the subordination provided in this Article 12 and appoints the Trustee such Holder's attorney in-fact for such purpose, including, without limitation, in the event of any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of the Company, the timely filing of a claim for the unpaid balance of such Holder's Securities in the form required in said proceedings. If the Trustee does not file a proper claim or proof of debt in the form required in such proceedings before the expiration of the time to file such claim or claims, then the holders of Senior Indebtedness of the Company are hereby authorized to have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Securities.

Section 12.10. Right of Trustee to Hold Senior Indebtedness. The Trustee shall be entitled to all of the rights set forth in this Article 12 in respect of any Senior Indebtedness of the Company at any time held by it to the same extent as any other holder of such Senior Indebtedness of the Company, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder. With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 12, and no implied covenants or obligations with respect to the holders of Senior Indebtedness of the Company shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness of the Company, and the Trustee shall not be liable to any holder of Senior Indebtedness of the Company if it shall mistakenly pay over or deliver to Holders of Securities, the Company or any other Person moneys or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article 12 or otherwise.

Section 12.11. Article 12 Not to Prevent Events of Default. The failure to make a payment on account of principal or interest by reason of any provision in this Article 12 shall not be construed as preventing the occurrence of an Event of Default under Section 5.1.

Section 12.12. Paying Agents Other Than the Trustee. In case at any time any Paying Agent (including, without limitation, the Company or any Subsidiary) other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 12 shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent (except the Company and its subsidiaries in the case of Sections 12.6 and 12.7) within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 12 in addition to or in place of the Trustee.

Section 12.13. Trustee's Compensation Not Prejudiced. Nothing in this Article 12 shall apply to amounts due to the Trustee pursuant to Section 6.9.

Section 12.14. Trust Moneys Not Subordinated. Notwithstanding anything contained herein to the contrary, payments from money held in trust under Article 4 by the Trustee for the payment of principal of, premium if any, and interest, if any, on the Securities shall not be subordinated to the prior payment of any Senior Indebtedness of the Company or subject to the restrictions set forth in this Article 12 and none of the Holders shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness of the Company or any other creditor of the Company.

Section 12.15. Reliance on Judicial Order or Certificate of Liquidating Agent. Upon any payment or distribution of assets of the Company referred to in this Article Twelve, the Trustee and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, liquidating trustee, custodian, receiver, assignee for the benefit of creditors, agent or other person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Twelve.

Section 12.16. Trustee Not Fiduciary for Holders or Senior Indebtedness of the Company. The Trustee shall not be deemed to owe any fiduciary duty to the Holders of any Senior Indebtedness and shall not be liable to any such holders if the Trustee shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other person cash, property or securities to which any holders of Senior Indebtedness of the Company shall be entitled by virtue of this Article Twelve or otherwise. The Trustee shall not be charged with knowledge of the existence of Senior Indebtedness of the Company or of any facts that would prohibit any payment hereunder unless a Responsible Officer of the Trustee shall have received notice to that effect at the address of the Trustee, provided that the Trustee shall be deemed to have knowledge of the existence of any Senior Indebtedness to which it acts as Trustee. With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in this Article Twelve and no implied covenants or obligations with respect to holders of Senior Indebtedness of the Company shall be read into this Indenture against the Trustee.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

UAL CORPORATION

By: /s/ Douglas A. Hacker

Title: Senior Vice President
and Chief Financial Officer

Attest:

/s/ Francesca M. Maher

Title: Corporate Secretary

THE FIRST NATIONAL BANK OF CHICAGO,
TRUSTEE

By: /s/ Richard D. Manella

Title: Vice President

Attest:

/s/ Leland Hansen

Title: Assistant Vice President

UAL CORPORATION

Officer's Certificate

Pursuant to Sections 2.1 and 3.1 of the Indenture, dated as of December 20, 1996 (the "Indenture"), between UAL Corporation, a Delaware corporation (the "Company"), and The First National Bank of Chicago, a national banking association, as trustee (the "Trustee"), the undersigned officer of the Company hereby certifies on behalf of the Company as follows:

1. Authorization. The establishment of a series of Securities of the Company has been approved and authorized in accordance with the provisions of the Indenture pursuant to resolutions of the Board of Directors of the Company adopted on June 27, 1996 and September 26, 1996 and the resolutions of the Series B Committee of the Company adopted on November 20, 1996.

2. Compliance with Covenants and Conditions Precedent. All conditions precedent, if any, provided for in the Indenture relating to the establishment of a series of Securities have been complied with.

3. Terms. The terms of the series of Securities established pursuant to this Officer's Certificate will be as follows:

(i) Title. The title of the Securities is "13-1/4% Junior Subordinated Debentures due 2026" (the "Junior Subordinated Debentures").

(ii) Aggregate Principal Amount. The Junior Subordinated Debentures shall be limited in aggregate principal amount to \$77,301,649.50 (except for Junior Subordinated Debentures authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Debentures pursuant to Sections 3.4, 3.5, 3.6, 8.6 or 10.7 of the Indenture and except for any Junior Subordinated Debentures that, pursuant to the last paragraph of Section 3.3 of the Indenture, are deemed never to have been authenticated and delivered under the Indenture).

(iii) Stated Maturity. The date on which the principal of the Junior Subordinated Debentures is payable is December 15, 2026.

(iv) Rate of Interest; Interest Payment Dates; Regular Record Dates. Each Junior Subordinated Debenture will bear interest from December 21, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, an "Interest Payment Date") (subject to extension as provided in the form of Junior Subordinated Debenture attached hereto as Exhibit A), commencing on December 31, 1996, at the rate of 13-1/4% per annum until the principal thereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 13-1/4% per annum, compounded quarterly, on any overdue principal and premium and on any overdue installment of interest. Except as set forth below, the interest so payable shall be paid to the person in whose name such Junior Subordinated Debenture (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which, except as set forth below, shall be the close of business 15 calendar days prior to such Interest Payment Date, except that the record date for the payment to be made on December 31, 1996 shall be the date of exchange of the Preferred Securities for the Depositary Shares. In addition, each Junior Subordinated Debenture will bear interest from November 1, 1996 through December 20, 1996 at the rate of 12-1/4% per annum (the "Pre-Issuance Accrued Distribution"), payable on December 31, 1996 to the person in whose name such Junior Subordinated Debenture is registered at the close of business on the Regular Record Date for such Interest Payment Date. With the exception of the interest payment described in the immediately preceding sentence, any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered holder on such Regular Record Date and may either be paid to the person in whose name such Junior Subordinated Debenture (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the registered holder of such Junior Subordinated Debenture not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Junior Subordinated Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months and, for any period shorter than a full quarterly interest period for which interest is computed, the amount of interest payable will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any Interest Payment Date is not a business day, then payment of interest payable on such date will be made on the next succeeding business day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (notwithstanding Section 1.12 of the Indenture), in each case with the same force and effect as if made on such date.

(v) Place of Payment. Principal and interest on the Junior Subordinated Debentures will be payable, the transfer of such Junior Subordinated Debentures will be registrable and such Junior Subordinated Debentures

will be exchangeable for Junior Subordinated Debentures bearing identical terms and provisions at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City and State of New York; provided, however, that, at the option of the Company, payments of interest may be made by check mailed to the registered holder at such address as shall appear in the Security Register and that the payment of principal with respect to any Junior Subordinated Debenture will only be made upon surrender of such Junior Subordinated Debenture to the Trustee.

(vi) **Optional Redemption.** Junior Subordinated Debentures may be redeemed at the option of the Company as set forth in the form of Junior Subordinated Debenture attached hereto as Exhibit A.

(vii) **Mandatory Redemption.** The Junior Subordinated Debentures will contain no provision for mandatory redemption, a sinking fund or any analogous provisions.

(viii) **Denominations.** The Junior Subordinated Debentures will be issuable in denominations of \$25 and integral multiples thereof.

(ix) **Currency.** The Junior Subordinated Debentures will be denominated in Dollars and the principal of and interest on the Junior Subordinated Debentures will be payable in Dollars. The Junior Subordinated Debentures will be satisfied and discharged as provided in Article 4 of the Indenture.

(x) **Payment Currency.** The principal of and interest on the Junior Subordinated Debentures will not be payable in a currency other than Dollars.

(xi) **Formula.** The amount of payments of principal of and interest on the Junior Subordinated Debentures will not be determined with reference to an index, formula or other method.

(xii) **Amount Payable Upon Acceleration.** The principal amount of the Junior Subordinated Debentures will be payable upon declaration of acceleration pursuant to Section 5.2 of the Indenture.

(xiii) **Payment of Interest.** The payment of interest on the Junior Subordinated Debentures will be governed by Section 3.7 of the Indenture.

(xiv) **Special Rights.** There are no provisions granting special rights to the Holders upon the occurrence of specified events.

(xv) **Covenants; Events of Default.** There shall be no deletions from, modifications or additions to the Events of Default set forth in Section 5.1 of the Indenture or covenants of the Company set forth in Article 9 with respect to the Junior Subordinated Debentures.

(xvi) **Additional Amounts.** The Company will not pay additional amounts on the Junior Subordinated Debentures held by a Person that is not a U.S. Person in respect of taxes or similar charges withheld or deducted.

(xvii) **Registered Securities.** The Junior Subordinated Debentures will be issuable in definitive form as Registered Securities, without interest coupons. Section 3.5 of the Indenture will govern the Junior Subordinated Debentures.

(xviii) **Bearer Securities; Temporary Global Security.** The Junior Subordinated Debentures will not be Bearer Securities or represented by a temporary global Security.

(xix) **Defeasance and Covenant Defeasance.** Sections 4.4 and 4.5 of the Indenture will apply to the Junior Subordinated Debentures and the term "Government Obligations" shall not include obligations referred to in the Definition of such term in the Indenture which are not obligations of the United States or an agency or instrumentality of the United States.

(xx) **Registrar; Paying Agent.** The Trustee will be the Registrar and the Paying Agent for the Junior Subordinated Debentures.

(xxi) **Warrants.** No warrants will be issued in connection with the Junior Subordinated Debentures.

(xxii) **Exchange Rate Agent.** There will be no Exchange Rate Agent with respect to the Junior Subordinated Debentures.

(xxiii) **Global Form.** The Junior Subordinated Debentures will not be issued in temporary or permanent global form.

(xxiv) **Conversion.** The Junior Subordinated Debentures will not be convertible into any other security of the Company.

(xxv) **Subordination.** Article 12 of the Indenture will govern the terms and conditions under which the Junior Subordinated Debentures are subordinate to the Senior Indebtedness of the Company.

(xxvi) **Other Terms.** The Junior Subordinated Debentures will have the other terms and will be substantially in the form set forth in the form of Junior Subordinated Debenture attached hereto as Exhibit A. In case of any

conflict between this certificate and the Junior Subordinated Debentures in the form attached hereto as Exhibit A, or between the Resolutions and the Junior Subordinated Debentures in such form, the Junior Subordinated Debentures will control.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to those terms in the Indenture.

The undersigned, for himself, states that he has read and is familiar with the provisions of Article 2 of the Indenture relating to the establishment of the form of Security representing a series of Securities thereunder and Article 3 of the Indenture relating to the establishment of a series of Securities thereunder, and in each case, the definitions therein relating thereto; that he is generally familiar with the other provisions of the Indenture and with the affairs of the Company and its acts and proceedings and that the statements and opinions made by him in this Certificate are based upon such familiarity; that, in his opinion, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not the covenants and conditions referred to above have been complied with; and, that in his opinion, the covenants and conditions referred to above have been complied with.

Insofar as this Certificate relates to legal matters, it is based, as provided for in Section 1.3 of the Indenture, upon the opinion of Counsel delivered to the Trustee contemporaneously herewith pursuant to Section 3.3 of the Indenture and relating to the Junior Subordinated Debentures.

IN WITNESS WHEREOF, the undersigned has hereunto signed this Certificate on behalf of the Company this 30th day of December 1996.

UAL CORPORATION

By: /s/ Douglas A. Hacker

Name: Douglas A. Hacker

Title: Senior Vice President and Chief
Financial Officer

No. R-1
CUSIP NO.

\$77,301,649.50
902549 AC 8

UAL CORPORATION
13-1/4% JUNIOR SUBORDINATED DEBENTURE DUE 2026

UAL CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company," which term includes any successor under the Indenture hereinafter referred to), hereby promises to pay to The First National Bank of Chicago as Institutional Trustee for UAL Corporation Capital Trust I (the "Trust") or registered assigns, the principal sum of Seventy-Seven Million Three Hundred One Thousand Six Hundred Forty-Nine and 50/100 Dollars, on December 15, 2026.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if fully set forth at this place.

Unless the Certificate of Authentication hereon has been executed by the Trustee referred to on the reverse side hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed in its corporate name by the manual or facsimile signature of its Chairman of the Board or its President and Chief Executive Officer and impressed or imprinted with its corporate seal or facsimile thereof, attested by the manual or facsimile signature of its Secretary on this 30th day of December.

UAL CORPORATION

By _____

Title:

Attest:

Secretary

This is one of the Securities of a series issued under the within-mentioned Indenture.

Dated: THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By: _____

Authorized Signatory

(REVERSE OF SECURITY)

(1) Indenture. This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an indenture (the "Indenture"), dated as of December 20, 1996, between the Company and The First National Bank of Chicago, a national banking association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and, to the extent specifically set forth in the Indenture, the holders of Senior Indebtedness and Preferred Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbb) as in effect on the date upon which the Securities are first issued under the Indenture (the "Issue Date"). The Securities are unsecured general obligations of the Company. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$77,301,649.50. All capitalized terms used in this Security and not defined herein will have the meanings assigned to them in the Indenture.

(2) Interest. The Company promises to pay interest on said principal amount in cash from December 21, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears (subject to deferral for up to 20 consecutive quarters as described in Section 3 hereof) on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 1996, at the rate of 13-1/4% per annum of the principal amount at stated maturity plus Compounded Interest and Additional Interest (as defined below), if any, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 13-1/4% per annum, compounded quarterly, on any overdue principal and on any overdue installment of interest. In addition, the Company promises to pay to the Holder or registered assigns interest from November 1, 1996 through December 20, 1996 at the rate of 12-1/4% per annum (the "Pre-Issuance Accrued Distribution"), payable on December 31, 1996. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly interest period for which interest is computed, the amount of interest payable will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any Interest Payment Date is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (notwithstanding Section 1.12 of the Indenture), in each case with the same force and effect as if made on such date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business 15 calendar days prior to the such Interest Payment Date, except that the record date for the payment to be made on December 31, 1996 shall be the date of exchange of the Preferred Securities for the Depositary Shares. With the exception of the Pre-Issuance Accrued Distribution, any such interest not so punctually paid or duly provided for shall bear interest at a rate equal to 13-1/4% per annum (to the extent lawful) and will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The Company shall pay as additional interest on the Securities such amounts as shall be required so that the net amounts received and retained by the Trust after paying any taxes, duties, assessment or other governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority ("Additional Interest") will be not less than the amounts the Trust would have received had no such taxes, duties, assessment or governmental charges been imposed.

(3) Extension of Interest Payment Period. So long as the Company is not in default in the payment of interest on the Securities of this series, the Company shall have the right, at any time during the term of the Securities of this series, from time to time to extend the interest payment period of such Securities (other than with respect to the Pre-Issuance Accrued Distribution) for up to 20 consecutive quarterly interest periods (the "Extended Interest Payment Period"); provided, no Extended Interest Payment Period may extend beyond the maturity date of the Securities. At the end of each such period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate of 13-1/4% per annum compounded quarterly to the extent permitted by applicable law ("Compounded Interest")). During such Extended Interest Payment Period, the Company shall not declare or pay any dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its common stock or preferred stock or any other securities similar to the Preferred Securities or the Securities, or make any guarantee payments with respect thereto; provided, however, that the Company may pay cash in lieu of fractional shares upon the conversion of any of its preferred stock in accordance with the terms of such stock. Prior to the termination of any such Extended Interest Payment Period, the Company may pay all or any portion of the interest accrued on the Securities on any Interest Payment Date to holders of record on the Regular Record Date for such Interest Payment Date or from time to time further extend such Extended Interest Payment Period, provided that such Extended Interest Payment Period, together with all previous and further extensions thereof, shall not exceed 20 consecutive quarterly interest periods and shall not extend beyond the maturity of the Securities. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest then due, together with Compounded Interest, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest on this Security shall be due and payable during an Extended Interest Payment Period, except at the end thereof. At the end of the Extended Interest Payment Period, the Company shall pay all interest accrued and unpaid on the Securities including any Compounded Interest which shall be payable to the holders of the Securities in whose names the Securities are registered in the Security Register on the Regular Record Date for the first Interest Payment Date occurring on or after the end of the Extended Interest Payment Period.

If the Trust is the sole holder of the Securities at the time the Company selects an Extension Period, the Company shall give notice to the Indenture Trustee and the Institutional Trustee of its selection of such Extension Period at least ten Business Days prior to the earlier of (i) the date the distributions on the Preferred Securities are payable or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to the holders of the Preferred Securities on the record date or the date such distributions are payable, but in any event not less than one Business Day prior to such record date. The Company shall cause the Trust to give notice of the Company's selection of such Extension Period to the holders of the Preferred Securities.

If the Trust is not the sole holder of the Securities at the time the Company selects an Extension Period, the Company shall give the Holders of these Securities notice of its selection of an Extension Period at least ten Business Days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Company is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Securities on the record or payment date of such related interest payment, but in any event not less than two Business Days prior to such record date.

The quarter in which such notice is given pursuant to the second and third paragraphs of this section shall be counted as one of the 20 quarters permitted in the maximum Extension Period permitted under the first paragraph of this section.

(4) Method of Payment. Payment of the principal of and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register and, provided further, that the payment of principal will only be made upon the surrender of this Security to the Trustee. Notwithstanding the foregoing, so long as the owner and record holder of this Security is the Trust, the payment of the principal of and interest (including Compounded Interest, if any) on this Security will be made at such place and to such account of the Trust as may be designated by the institutional trustee of the Trust.

(5) Redemption. Except as provided in the next paragraph, the Securities of this series may not be redeemed by the Company prior to July 12, 2004. The Securities of this series are subject to redemption upon not less than 10 nor more than 60 days' notice by mail, at any time on or after July 12, 2004, as a whole or in part, at the election of the Company (an "Optional Redemption"), at a Redemption Price equal to 100% of the principal amount together with any accrued but unpaid interest, including Compounded Interest, if any, to the Redemption Date (the "Optional Redemption Price").

If, at any time, a Tax Event (as defined below) shall occur and be continuing and (i) the regular trustees (the "Regular Trustees") of the Trust shall have received an opinion (a "Redemption Tax Opinion") of a nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that the Company would be precluded from deducting the interest on the Securities of this series for United States federal income tax purposes even if the Securities were distributed to the holders of Preferred Securities and Common Securities in liquidation of such holder's interest in the Trust as set forth in the Declaration of Trust or (ii) the Regular Trustees shall have been informed by such tax counsel that a No Recognition Opinion (as defined below) cannot be delivered to the Trust, the Company shall have the right at any time, upon not less than 10 nor more than 60 days' notice, to redeem the Securities in whole or in part for cash at the Optional Redemption Price within 90 days following the occurrence of such Tax Event; provided, however, that, if at the time there is available to the Company or the Regular Trustees on behalf of the Trust the opportunity to eliminate, within such 90 day period, the Tax Event by taking some ministerial action ("Ministerial Action"), such as filing a form or making an election, or pursuing some other similar reasonable measure, which has no adverse effect on the Trust, the Company or the holders of the Preferred Securities, the Company or the Regular Trustees on behalf of the Trust will pursue such measure in lieu of redemption and, provided further, that the Company shall have no right to redeem the Securities while the Regular Trustees on behalf of the Trust are pursuing any such Ministerial Action.

"Tax Event" means that the Regular Trustees shall have obtained an opinion (a "Dissolution Tax Opinion") of nationally recognized independent tax counsel experienced in such matters

to the effect that on or after December 20, 1996, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after December 20, 1996, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Securities, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by the Company to the Trust on the Securities is not, or within 90 days of the date thereof will not be, deductible by the Company for United States federal income tax purposes.

"No Recognition Opinion" means an opinion of a nationally recognized independent tax counsel experienced in such matters, which opinion may rely on any then applicable published revenue ruling of the Internal Revenue Service, to the effect that the holders of the Preferred Securities will not recognize any gain or loss for United States federal income tax purposes as a result of a dissolution of the Trust and distribution of the Securities as provided in the Declaration of Trust.

If the Securities of this Series are only partially redeemed by the Company pursuant to an Optional Redemption or as a result of a Tax Event as described above, the Securities of this series will be redeemed pro rata or by lot or by any other method as the Trustee shall deem fair and appropriate. Notwithstanding the foregoing, if a partial redemption of the Securities of this series would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed, the Company shall not be permitted to effect such partial redemption and will only redeem the Securities of this series as a whole.

In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

(6) Defeasance. The Securities are subject to the defeasance and covenant defeasance provisions set forth in Article Four of the Indenture.

(7) Denominations, Transfer, Exchange. The Securities are issuable only as registered Securities without coupons in the denominations of \$25 and any integral multiple thereof. As provided in the Indenture, and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of different authorized denominations as requested by the Holder surrendering the same and upon surrender of the Security for registration of transfer at the office or agency of the Company in the City of New York, the Company will execute, and the Trustee will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities, of authorized denominations and of a like aggregate principal amount and tenor. Every Security surrendered for registration of transfer or exchange will, if required by the Company, the Registrar or the Trustee, be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Registrar and the Trustee duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. No service charge will be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(8) Persons Deemed Owners. Prior to due presentment for registration of transfer of this Security, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes whatsoever, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent will be affected by notice to the contrary.

(9) Defaults and Remedies. If an Event of Default as defined in the Indenture shall occur, the principal of all Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

(10) Subordination. The Company and each Holder, by acceptance hereof, agrees that the payment of the principal of and interest on the Securities is subordinated, to the extent and in the manner provided in the Indenture, to the prior payment in full of the Senior Indebtedness of the Company as defined in the Indenture and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate in the discretion of the Trustee to effectuate the subordination so provided and appoints the Trustee his attorney-in-fact for such purpose.

(11) Indebtedness. The Company and, by its acceptance of this Security or a beneficial interest herein, the Holder of, and any Person that acquires a beneficial interest in, this Security agree that for United States federal, state and local tax purposes it is intended that this Security constitute indebtedness.

(12) Amendments and Waivers. The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected at the time outstanding, as defined in the Indenture (and, in the case of any series of Securities held as trust assets of a UAL Corporation Capital Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such UAL Corporation Capital Trust as may be required under the Declaration of Trust of such UAL Corporation Capital Trust), to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities; provided, however, that no such supplemental indenture shall, without the consent of the holder of each Security so affected, (i) change the time for payment of principal, premium, if any, or interest on any Security; (ii) reduce the principal of, or any installment of principal of, or interest on any Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Security (as defined in the Indenture); (v) change the coin or

currency in which any Security or any premium or interest thereon is payable; (vi) impair the right to institute suit for the enforcement of any payment on or with respect to any Security; (vii) reduce the percentage in principal amount of the outstanding Securities the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; (viii) change the obligation of the Company to maintain an office or agency in the places and for the purposes specified in the Indenture; (ix) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions; (x) adversely affect the right to convert the Securities or (xi) modify the provisions with respect to the subordination of the Securities. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the securities of all series at the time outstanding affected thereby (subject, in the case of any series of Securities held as trust assets of a UAL Corporation Capital Trust and with respect to which a Security Exchange has not theretofore occurred, to such consent of holders of Preferred Securities and Common Securities of such UAL Corporation Capital Trust as may be required under the Declaration of Trust of such UAL Corporation Capital Trust), on behalf of the Holders of the Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

(13) **Obligation Absolute.** No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, hereto prescribed.

(14) **No Recourse Against Others.** No recourse for the payment of the principal of or interest on this Security, or for any claim based hereon or on the Indenture and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Security, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

(15) **Governing Law.** THIS SECURITY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: UAL Corporation, P.O. Box 66100, Chicago, Illinois 60666, Attention: Treasurer.

No. R-1
NO.

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UAL CORPORATION

13-1/4% JUNIOR SUBORDINATED DEBENTURE DUE 2026

UAL CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company," which term includes any successor under the Indenture hereinafter referred to), hereby promises to pay to The First National Bank of Chicago as Institutional Trustee for UAL Corporation Capital Trust I (the "Trust") or registered assigns, the principal sum of Seventy-Seven Million Three Hundred One Thousand Six Hundred Forty-Nine and 50/100 Dollars, on December 15, 2026.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if fully set forth at this place.

Unless the Certificate of Authentication hereon has been executed by the Trustee referred to on the reverse side hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Security to be duly executed in its corporate name by the manual or facsimile signature of its Chairman of the Board or its President and Chief Executive Officer and impressed or imprinted with its corporate seal or facsimile thereof, attested by the manual or facsimile signature of its Secretary on this 30th day of December, 1996.

UAL CORPORATION

By _____

Title:

Attest:

Secretary

This is one of the Securities of a series issued under the within-mentioned Indenture.

Dated:

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By: _____

Authorized Signatory

(REVERSE OF SECURITY)

(1) Indenture. This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities") issued and to be issued in one or more series under an indenture (the "Indenture"), dated as of December 20, 1996, between the Company and The First National Bank of Chicago, a national banking association, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture with respect to the series of which this Security is a part), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and, to the extent specifically set forth in the Indenture, the holders of Senior Indebtedness and Preferred Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbb) as in effect on the date upon which the Securities are first issued under the Indenture (the "Issue Date"). The Securities are unsecured general obligations of the Company. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to \$77,301,649.50. All capitalized terms used in this Security and not defined herein will have the meanings assigned to them in the Indenture.

(2) Interest. The Company promises to pay interest on said principal amount in cash from December 21, 1996 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears (subject to deferral for up to 20 consecutive quarters as described in Section 3 hereof) on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 1996, at the rate of 13-1/4% per annum of the principal amount at stated maturity plus Compounded Interest and Additional Interest (as defined below), if any, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the rate of 13-1/4% per annum, compounded quarterly, on any overdue principal and on any overdue installment of interest. In addition, the Company promises to pay to the Holder or registered assigns interest from November 1, 1996 through December 20, 1996 at the rate of 12-1/4% per annum (the "Pre-Issuance Accrued Distribution"), payable on December 31, 1996. The amount of interest payable on any Interest Payment Date shall be computed on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly interest period for which interest is computed, the amount of interest payable will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any Interest Payment Date is not a business day, then payment of interest payable on such date will be made on the next succeeding day which is a business day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business 15 calendar days prior to the such Interest Payment Date. With the exception of the Pre-Issuance Accrued Distribution, any such interest not so punctually paid or duly provided for shall bear interest at a rate equal to 13-1/4% per annum (to the extent lawful) and will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The Company shall pay as additional interest on the Securities such amounts as shall be required so that the net amounts received and retained by the Trust after paying any taxes, duties, assessment or other governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States or any other taxing authority ("Additional Interest") will be not less than the amounts the Trust would have received had no such taxes, duties, assessment or governmental charges been imposed.

(3) Extension of Interest Payment Period. So long as the Company is not in default in the payment of interest on the Securities of this series, the Company shall have the right, at any time during the term of the Securities of this series, from time to time to extend the interest payment period of such Securities (other than with respect to the Pre-Issuance Accrued Distribution) for up to 20 consecutive quarterly interest periods (the "Extended Interest Payment Period"); provided, no Extended Interest Payment Period may extend beyond the maturity date of the Securities. At the end of each such period the Company shall pay all interest then accrued and unpaid (together with interest thereon at the rate of 13-1/4% per annum compounded quarterly to the extent permitted by applicable law ("Compounded Interest")). During such Extended Interest Payment Period, the Company shall not declare or pay any dividends on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its common stock or preferred stock or any other securities similar to the Preferred Securities or the Securities, or make any guarantee payments with respect thereto; provided, however, that the Company may pay dividends (and cash in lieu of fractional shares) upon the conversion, other than at the Company's option, of any of its preferred stock in accordance with the terms of such stock. Prior to the termination of any such Extended Interest Payment Period, the Company may pay all or any portion of the interest accrued on the Securities on any Interest Payment Date to holders of record on the Regular Record Date for such Interest Payment Date or from time to time further extend such Extended Interest Payment Period, provided that such Extended Interest Payment Period, together with all previous and further extensions thereof, shall not exceed 20 consecutive quarterly interest periods and shall not extend beyond the maturity of the Securities. At the termination of any such Extended Interest Payment Period and upon the payment of all accrued and unpaid interest then due, together with Compounded Interest, the Company may select a new Extended Interest Payment Period, subject to the foregoing requirements. No interest on this Security shall be due and payable during an Extended Interest Payment Period, except at the end thereof. At the end of the Extended Interest Payment Period, the Company shall pay all interest accrued and unpaid on the Securities including any Compounded Interest which shall be payable to the holders of the Securities in whose names the Securities are registered in the Security Register on the Regular Record Date for the first Interest Payment Date occurring on or after the end of the Extended Interest Payment Period.

If the Trust is the sole holder of the Securities at the time the Company selects an Extension Period, the Company shall give notice to the Indenture Trustee and the Institutional Trustee of its selection of such Extension Period at least ten Business Days prior to the earlier of (i) the date the distributions on the Preferred Securities are payable or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to the holders of the Preferred Securities on the record date or the date such distributions are payable, but in any event not less than one Business Day prior to such record date. The Company shall cause the Trust to give notice of the Company's selection of such Extension Period to the holders of the Preferred Securities.

If the Trust is not the sole holder of the Securities at the time the Company selects an Extension Period, the Company shall give the Holders of these Securities notice of its selection of an Extension Period at least ten Business Days prior to the earlier of (i) the next succeeding Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Company is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Securities on the record or payment date of such related interest payment, but in any event not less than two Business Days prior to such record date.

The quarter in which such notice is given pursuant to the second and third paragraphs of this section shall be counted as one of the 20 quarters

permitted in the maximum Extension Period permitted under the first paragraph of this Section.

(4) Method of Payment. Payment of the principal of and any such interest on this Security will be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, the City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register and, provided further, that the payment of principal will only be made upon the surrender of this Security to the Trustee. Notwithstanding the foregoing, so long as the owner and record holder of this Security is the Trust, the payment of the principal of and interest (including Compounded Interest, if any) on this Security will be made at such place and to such account of the Trust as may be designated by the institutional trustee of the Trust.

(5) Redemption. Except as provided in the next paragraph, the Securities of this series may not be redeemed by the Company prior to July 12, 2004. The Securities of this series are subject to redemption upon not less than 10 nor more than 60 days' notice by mail, at any time on or after July 12, 2004, as a whole or in part, at the election of the Company (an "Optional Redemption"), at a Redemption Price equal to 100% of the principal amount together with any accrued but unpaid interest, including Compounded Interest, if any, to the Redemption Date (the "Optional Redemption Price").

If, at any time, a Tax Event (as defined below) shall occur and be continuing and (i) the regular trustees (the "Regular Trustees") of the Trust shall have received an opinion (a "Redemption Tax Opinion") of a nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that the Company would be precluded from deducting the interest on the Securities of this series for United States federal income tax purposes even if the Securities were distributed to the holders of Preferred Securities and Common Securities in liquidation of such holder's interest in the Declaration of Trust or (ii) the Regular Trustees shall have been informed by such tax counsel that a No Recognition Opinion (as defined below) cannot be delivered to the Trust, the Company shall have the right at any time, upon not less than 10 nor more than 60 days' notice, to redeem the Securities in whole or in part for cash at the Optional Redemption Price within 90 days following the occurrence of such Tax Event; provided, however, that, if at the time there is available to the Company or the Regular Trustees on behalf of the Trust the opportunity to eliminate, within such 90 day period, the Tax Event by taking some ministerial action ("Ministerial Action"), such as filing a form or making an election, or pursuing some other similar reasonable measure, which has no adverse effect on the Trust, the Company or the holders of the Preferred Securities, the Company or the Regular Trustees on behalf of the Trust will pursue such measure in lieu of redemption and, provided further, that the Company shall have no right to redeem the Securities while the Regular Trustees on behalf of the Trust are pursuing any such Ministerial Action.

"Tax Event" means that the Regular Trustees shall have obtained an opinion (a "Dissolution Tax Opinion") of nationally recognized independent tax counsel experienced in such matters to the effect that on or after December 20, 1996, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after December 20, 1996, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Securities, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by the Company to the Trust on the Securities is not, or within 90 days of the date thereof will not be, deductible by the Company for United States federal income tax purposes.

"No Recognition Opinion" means an opinion of a nationally recognized independent tax counsel experienced in such matters, which opinion may rely on any then applicable published revenue ruling of the Internal Revenue Service, to the effect that the holders of the Preferred Securities will not recognize any gain or loss for United States federal income tax purposes as a result of a dissolution of the Trust and distribution of the Securities as provided in the Declaration of Trust.

If the Securities of this Series are only partially redeemed by the Company pursuant to an Optional Redemption or as a result of a Tax Event as described above, the Securities of this series will be redeemed pro rata or by lot or by any other method as the Trustee shall deem fair and appropriate. Notwithstanding the foregoing, if a partial redemption of the Securities of this series would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed, the Company shall not be permitted to effect such partial redemption and will only redeem the Securities of this series as a whole.

In the event of redemption of this Security in part only, a new Security or Securities of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

(6) Defeasance. The Securities are subject to the defeasance and covenant defeasance provisions set forth in Article Four of the Indenture.

(7) Denominations, Transfer, Exchange. The Securities are issuable only as registered Securities without coupons in the denominations of \$25 and any integral multiple thereof. As provided in the Indenture, and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of different authorized denominations as requested by the Holder surrendering the same and upon surrender of the Security for registration of transfer at the office or agency of the Company in the City of New York, the Company will execute, and the Trustee will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities, of authorized denominations and of a like aggregate principal amount and tenor. Every Security surrendered for registration of transfer or exchange will, if required by the Company, the Registrar or the Trustee, be duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company, the Registrar and the Trustee duly executed by, the Holder hereof or such Holder's attorney duly authorized in writing. No service charge will be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(8) Persons Deemed Owners. Prior to due presentment for registration of transfer of this Security, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for the purpose of receiving payment as herein

provided and for all other purposes whatsoever, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent will be affected by notice to the contrary.

(9) Defaults and Remedies. If an Event of Default as defined in the Indenture shall occur, the principal of all Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

(10) Subordination. The Company and each Holder, by acceptance hereof, agrees that the payment of the principal of and interest on the Securities is subordinated, to the extent and in the manner provided in the Indenture, to the prior payment in full of the Senior Indebtedness of the Company as defined in the Indenture and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate in the discretion of the Trustee to effectuate the subordination so provided and appoints the Trustee his attorney-in-fact for such purpose.

(11) Indebtedness. The Company and, by its acceptance of this Security or a beneficial interest herein, the Holder of, and any Person that acquires a beneficial interest in, this Security agree that for United States federal, state and local tax purposes it is intended that this Security constitute indebtedness.

(12) Amendments and Waivers. The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Securities of all series affected at the time outstanding, as defined in the Indenture (and, in the case of any series of Securities held as trust assets of a UAL Corporation Capital Trust and with respect to which a Security Exchange has not theretofore occurred, such consent of holders of the Preferred Securities and the Common Securities of such UAL Corporation Capital Trust as may be required under the Declaration of Trust of such UAL Corporation Capital Trust), to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities; provided, however, that no such supplemental indenture shall, without the consent of the holder of each Security so affected, (i) change the time for payment of principal, premium, if any, or interest on any Security; (ii) reduce the principal of, or any installment of principal of, or interest on any Security; (iii) reduce the amount of premium, if any, payable upon the redemption of any Security; (iv) reduce the amount of principal payable upon acceleration of the maturity of an Original Issue Discount Security (as defined in the Indenture); (v) change the coin or currency in which any Security or any premium or interest thereon is payable; (vi) impair the right to institute suit for the enforcement of any payment on or with respect to any Security; (vii) reduce the percentage in principal amount of the outstanding Securities the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; (viii) change the obligation of the Company to maintain an office or agency in the places and for the purposes specified in the Indenture; (ix) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions; (x) adversely affect the right to convert the Securities or (xi) modify the provisions with respect to the subordination of the Securities. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the securities of all series at the time outstanding affected thereby (subject, in the case of any series of Securities held as trust assets of a UAL Corporation Capital Trust and with respect to which a Security Exchange has not theretofore occurred, to such consent of holders of Preferred Securities and Common Securities of such UAL Corporation Capital Trust as may be required under the Declaration of Trust of such UAL Corporation Capital Trust), on behalf of the Holders of the Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

(13) Obligation Absolute. No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, hereto prescribed.

(14) No Recourse Against Others. No recourse for the payment of the principal of or interest on this Security, or for any claim based hereon or on the Indenture and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Security, or because of the creation of any indebtedness represented hereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

(15) Governing Law. THIS SECURITY WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to: UAL Corporation, P.O. Box 66100, Chicago, Illinois 60666, Attention: Treasurer.

GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT, dated as of December 30, 1996, is executed and delivered by UAL Corporation, a Delaware corporation (the "Guarantor"), and The First National Bank of Chicago as the initial Guarantee Trustee (as defined herein) for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of UAL Corporation Capital Trust I, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of December 30, 1996 among the trustees of the Issuer named therein, UAL Corporation, as Sponsor, and the Holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing as of the date hereof in accordance with the Offer (as defined herein) \$74,982,600 aggregate liquidation amount of its 13-1/4% Trust Originated Preferred Securities (the "Preferred Securities") representing undivided beneficial interests in the assets of the Issuer and having the terms set forth in Exhibit B to the Declaration;

WHEREAS, the Preferred Securities will be issued by the Issuer upon deposit of the Guarantor's Debentures (as defined herein) with the Issuer as trust assets; and

WHEREAS, as incentive for the Holders to exchange Depositary Shares ("Depositary Shares") representing 1/1,000 of a share of the 12-1/4% Series B Preferred Stock of the Guarantor for Preferred Securities pursuant to the Offer, the Guarantor desires to irrevocably and unconditionally agree, to the extent set forth herein, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee Agreement") in substantially identical terms to this Guarantee Agreement for the benefit of the holders of the Common Securities (as defined herein), except that if an event of default under the Indenture has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments under the Common Securities Guarantee Agreement are subordinated to the rights of Holders to receive Guarantee Payments under this Guarantee Agreement.

NOW, THEREFORE, in consideration of the exchange of Depositary Shares for Preferred Securities, which exchange the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time of the Preferred Securities.

ARTICLE I

SECTION 1.1 Definitions. (a) Capitalized terms used in this Guarantee Agreement but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Commission" means the United States Securities and Exchange Commission.

"Common Securities" means the securities representing undivided beneficial interests in the assets of the Issuer, having the terms set forth in Exhibit C to the Declaration.

"Covered Person" means any Holder of Preferred Securities.

"Debentures" means the series of Junior Subordinated Debentures issued by the Guarantor under the Indenture and entitled the "13-1/4% Junior Subordinated Debentures due 2026".

"Distributions" means the periodic distributions and other payments payable to Holders of Preferred Securities in accordance with the terms of the Preferred Securities set forth in Exhibit B to the Declaration.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Guarantee Agreement.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions and the redemption price, including all accrued and unpaid Distributions to the date of

redemption (the "Redemption Price"), with respect to the Preferred Securities called for redemption by the Issuer but if and only to the extent that in each case the Guarantor has made a payment to the Trust of interest or principal on the Debentures and (ii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to Holders or the redemption of all the Preferred Securities upon the maturity or redemption of the Debentures as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Preferred Securities to the date of payment, to the extent the Issuer has funds available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution"). If an event of default under the Indenture has occurred and is continuing the rights of holders of the Common Securities to receive payments under the Common Securities Guarantee Agreement are subordinated to the rights of Holders to receive Guarantee Payments.

"Guarantee Trustee" means The First National Bank of Chicago until a Successor Guarantee Trustee has been appointed and accepted such appointment pursuant to the terms of this Guarantee Agreement, and thereafter means each such Successor Guarantee Trustee.

"Holder" shall mean any holder, as registered on the books and records of the Issuer, of any Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any entity directly or indirectly controlling or controlled by or under direct or indirect common control with the Guarantor.

"Indemnified Person" means the Guarantee Trustee, any Affiliate of the Guarantee Trustee, and any officers, directors, shareholders, members, partners, employees, representatives or agents of the Guarantee Trustee.

"Indenture" means the Indenture dated as of December 20, 1996 between the Guarantor and The First National Bank of Chicago, as trustee, as supplemented by the board resolution or supplemental indenture pursuant to which the Debentures are to be issued.

"Majority in liquidation amount of the Preferred Securities" means, except as otherwise required by the Trust Indenture Act, Holder(s) of outstanding Preferred Securities voting together as a single class, who are the record owners of Preferred Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) represents more than 50% of the liquidation amount of all outstanding Preferred Securities.

"Offer" means the offer by the Issuer to exchange Preferred Securities for outstanding Depository Shares in consideration for the deposit by the Guarantor of Debentures as trust assets of the Issuer, all as described in a Prospectus dated November 21, 1996.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities" has the meaning set forth in the first recital clause above.

"Redemption Price" means the amount payable on redemption of the Preferred Securities in accordance with the terms of the Preferred Securities.

"Responsible Officer" means, with respect to the Guarantee Trustee, the chairman of the board of directors, the president, any vice-president, any assistant vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer of the Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as a Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE II

TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application. (a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions.

(b) If and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(c) The application of the Trust Indenture Act to this Guarantee Agreement shall not affect the nature of the Preferred Securities as equity securities representing undivided beneficial interests in the assets of the Issuer.

SECTION 2.2 Lists of Holders of Preferred Securities. (a) The Guarantor shall provide the Guarantee Trustee with such information as is required under Section 312(a) of the Trust Indenture Act at the times and in the manner provided in Section 312(a).

(b) the Guarantee Trustee shall comply with its obligations under Sections 310(b), 311 and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Guarantee Trustee. Within 60 days after May 15 of each year, the Guarantee Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form, in the manner and at the times provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Guarantee Trustee. The Guarantor shall provide to the Guarantee Trustee, the Commission and the Holders of the Preferred Securities, as applicable, such documents, reports and information, if any, as required by Section 314(a)(1)-(3) of the Trust Indenture Act and the compliance certificates required by Section 314(a)(4) and (c) of the Trust Indenture Act, any such certificates to be provided in the form, in the manner and at the times required by Section 314(a)(4) and (c) of the Trust Indenture Act (provided that any certificate to be provided pursuant to Section 314(a)(4) of the Trust Indenture Act shall be provided within 120 days of the end of each fiscal year of the Issuer).

SECTION 2.5 Evidence of Compliance with Conditions Precedent. The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Guarantee Agreement which relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given pursuant to Section 314(c) shall comply with Section 314(e) of the Trust Indenture Act.

SECTION 2.6 Events of Default; Waiver. (a) Subject to Section 2.6(b), Holders of Preferred Securities may by vote of at least a Majority in liquidation amount of the Preferred Securities, (A) direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee or (B) on behalf of the Holders of all Preferred Securities waive any past Event of Default and its consequences. Upon such waiver, any such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

(b) The right of any Holder of Preferred Securities to receive payment of the Guarantee Payments in accordance with this Guarantee Agreement, or to institute suit for the enforcement of any such payment, shall not be impaired without the consent of each such Holder.

SECTION 2.7 Disclosure of Information. The disclosure of information as to the names and addresses of the Holders of the Preferred Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law, or any law hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, nor shall the Guarantee Trustee be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

SECTION 2.8 Conflicting Interest. The Declaration shall be deemed to be specifically described in this Guarantee Agreement for the purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF GUARANTEE TRUSTEE

SECTION 3.1 Powers and Duties of the Guarantee Trustee. (a) This Guarantee Agreement shall be held by the Guarantee Trustee in trust for the benefit of the Holders of the Preferred Securities. The Guarantee Trustee shall not transfer its right, title and interest in the Guarantee Agreement to any Person except a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Guarantee Trustee or to a Holder of Preferred Securities exercising his or her rights pursuant to Section 5.4. The right, title and interest of the Guarantee Trustee to the Guarantee Agreement shall vest automatically in each Person who may hereafter be appointed as Guarantee Trustee in accordance with Article IV. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

(b) If an Event of Default occurs and is continuing, the Guarantee Trustee shall enforce this Guarantee Agreement for the benefit of the Holders of the Preferred Securities.

(c) This Guarantee Agreement and all moneys received by the Trust hereunder in respect of the Guarantee Payments will not be subject to any right, charge, security interest, lien or claim of any kind in favor of, or for the benefit of, the Guarantee Trustee or its agents or their creditors.

(d) The Guarantee Trustee shall transmit, after the occurrence of an Event of Default, by first class mail, postage prepaid, to the holders of the Preferred Securities, as their names and addresses appear upon the register, notice of all Events of Default known to the Guarantee Trustee, unless such defaults shall have been cured before the giving of such notice; provided that the Guarantee Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Guarantee Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of the Preferred Securities. The Guarantee Trustee shall not be deemed to have knowledge of any default except any default as to which the Guarantee Trustee shall have received written notice or a Responsible Officer charged with the administration of this Guarantee Agreement shall have obtained written notice.

(e) The Guarantee Trustee shall not resign as a Trustee unless a Successor Guarantee Trustee has been appointed and accepted that appointment in accordance with Article IV.

SECTION 3.2 Certain Rights and Duties of the Guarantee Trustee. (a) The Guarantee Trustee, before the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants shall be read into this Guarantee Agreement against the Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6(a)), the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Guarantee Agreement shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement, and no implied covenants or obligations shall be read into this Guarantee Agreement against the Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that are specifically required to be furnished to the Guarantee Trustee by any provision hereof, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) The Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall have proved that the Guarantee Trustee was negligent in ascertaining the pertinent facts;

(iii) the Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of Preferred Securities as provided herein relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall have reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Subject to the provisions of Section 3.2(a) and (b):

(i) Whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon a certificate, which shall comply with the provisions of Section 314(e) of the Trust Indenture Act, signed by any authorized officer of the Guarantor;

(ii) the Guarantee Trustee (A) may consult with counsel (which may be counsel to the Guarantor or any of its Affiliates and may include any of its employees) selected by it in good faith and with due care and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice and opinion and (B) shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(iii) The Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it in good faith and with due care;

(iv) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holders of Preferred Securities, unless such Holders shall have offered to the Guarantee Trustee reasonable security and indemnity against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction; provided that nothing contained in this clause (iv) shall relieve the Guarantee Trustee of the obligation, upon the occurrence of an Event of Default (which has not been cured or waived), to exercise such of the rights and powers vested in it by this Guarantee Agreement, and to use the same degree of care and skill in this exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and

(v) Any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders of the Preferred Securities and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action; and no third party shall be required to inquire as to the authority of the Guarantee Trustee to so act, or as to its compliance with any of the terms and provisions of this Guarantee Agreement, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

SECTION 3.3 Not Responsible for Recitals or Issuance of Guarantee. The recitals contained in this Guarantee shall be taken as the statements of the Guarantor and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representations as to the validity or sufficiency of this Guarantee Agreement.

ARTICLE IV

GUARANTEE TRUSTEE

SECTION 4.1 Qualifications. (a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

If at any time the Guarantee Trustee shall cease to satisfy the requirements of clauses (i)-(ii) above, the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2. If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and the Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Guarantee Trustee. (a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) The Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1(a) has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor and the Guarantee Trustee being removed.

(c) The Guarantee Trustee appointed to office shall hold office until his or her successor shall have been appointed or until its removal or resignation.

(d) The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument (a "Resignation Request") in writing signed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that no such resignation of the Guarantee Trustee shall be effective until a Successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1(a) has been appointed and has accepted such appointment by instrument executed by such Successor Guarantee Trustee and delivered to Guarantor and the resigning Guarantee Trustee.

(e) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of a Resignation Request, the resigning Guarantee Trustee may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a Successor Guarantee Trustee.

ARTICLE V

GUARANTEE

SECTION 5.1 Guarantee. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer) regardless of any defense, right of set-off or counterclaim which the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2 Waiver of Notice. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3 Obligations Not Affected. The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions (other than an extension of time for payment of Distributions that results from the extension of any interest payment period on the Debentures), Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances. There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4 Enforcement of Guarantee. The Guarantor and the Guarantee Trustee expressly acknowledge that (i) this Guarantee Agreement will be deposited with the Guarantee Trustee to be held for the benefit of the Holders; (ii) the Guarantee Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) Holders representing not less than a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available in respect of this Guarantee Agreement, including the giving of directions to the

Guarantee Trustee, or exercising any trust or other power conferred upon the Guarantee Trustee under this Guarantee Agreement, and (iv) any Holder may institute a legal proceeding directly against the Guarantor to enforce such Holder's rights under this Guarantee Agreement, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee, or any other Person and without prior notice to the Guarantee Trustee.

SECTION 5.5 Guarantee of Payment. This Guarantee Agreement creates a guarantee of payment and not merely of collection.

This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication of amounts theretofore paid by the Issuer).

SECTION 5.6 Subrogation. The Guarantor shall be subrogated to all rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7 Independent Obligations. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI

LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 6.1 Limitation of Transactions. So long as any Preferred Securities remain outstanding, the Guarantor will not declare or pay any dividend on, or redeem, purchase, acquire or make a distribution or liquidation payment with respect to, any of its common stock or preferred stock or any other securities similar to the Preferred Securities or the Debentures, or make any guarantee payments with respect thereto, if at such time (i) the Guarantor shall be in default with respect to its Guarantee Payments or other payment obligations hereunder, (ii) there shall have occurred and be continuing any event of default under the Indenture or (iii) the Guarantor shall have given notice of its selection of an Extension Period (as defined in the Indenture) and such period, or any extension thereof, is continuing; provided that the Guarantor will be permitted to pay dividends (and cash in lieu of fractional shares) upon the mandatory conversion of any of its preferred stock in accordance with the terms of such stock. In addition, so long as any Preferred Securities remain outstanding, the Guarantor (i) will remain the sole direct or indirect owner of all of the outstanding Common Securities and shall not cause or permit the Common Securities to be transferred except to the extent such transfer is permitted under Section 9.1(c) of the Declaration; provided that any permitted successor of the Guarantor under the Indenture may succeed to the Guarantor's ownership of the Common Securities and (ii) will not take any action which would cause the Issuer to cease to be treated as a grantor trust for United States federal income tax purposes except in connection with a distribution of Debentures as provided in the Declaration.

SECTION 6.2 Subordination. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, except those made *pari passu* or subordinate by their terms, and (ii) senior to all capital stock now or hereafter issued by the Guarantor and to any guarantee now or hereafter entered into by the Guarantor in respect of any of its capital stock.

ARTICLE VII

TERMINATION

SECTION 7.1 Termination. This Guarantee Agreement shall terminate and be of no further force and effect upon full payment of the Redemption Price of all Preferred Securities, upon the distribution of Debentures to Holders of Preferred Securities and Common Securities in exchange for all of the Preferred Securities and Common Securities or upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must restore payment of any sums paid with respect to the Preferred Securities or this Guarantee Agreement.

ARTICLE VIII

LIMITATION OF LIABILITY; INDEMNIFICATION

SECTION 8.1 Exculpation. (a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Guarantee Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Preferred Securities might properly be paid.

SECTION 8.2 Indemnification. (a) To the fullest extent permitted by applicable law, the Guarantor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Guarantee Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

(b) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Guarantor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Guarantor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 8.2(a).

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Successors and Assigns. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article Eight of the Indenture, the Guarantor shall not assign its obligations hereunder.

SECTION 9.2 Amendments. Except with respect to any changes which do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of not less than a Majority in liquidation amount of the Preferred Securities. The provisions of Section 12.2 of the Declaration concerning meetings of Holders shall apply to the giving of such approval.

SECTION 9.3 Notices. Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address set forth below or such other address as the Guarantor may give notice of to the Holders:

UAL Corporation
1200 East Algonquin Road
Elk Grove Township, Illinois 60007

Facsimile No.: (847) 700-4000
Attention: Corporate Secretary

(b) if given to the Guarantee Trustee, to the address set forth below or such other address as the Guarantee Trustee may give notice of to the Holders:

The First National Bank of Chicago
One First National Plaza, Suite 0126
Chicago, Illinois 60670-0126

Attention: Corporate Trust Administration

(c) if given to any Holder of Preferred Securities, at the address set forth on the books and records of the Issuer.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.4 Genders. The masculine, feminine and neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 9.5 Benefit. This Guarantee Agreement is solely for the benefit of the Holders and subject to Section 3.1(a) is not separately transferable from the Preferred Securities.

SECTION 9.6 Governing Law. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.7 Counterparts. This Guarantee Agreement may be executed in counterparts, each of which shall be an original; but such counterparts shall together constitute one and the same instrument.

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

UAL CORPORATION

By: /s/ Douglas A. Hacker

Name: Douglas A. Hacker
Title: Senior Vice President
and Chief Financial Officer

THE FIRST NATIONAL BANK OF CHICAGO,
as Guarantee Trustee

By: /s/ Richard D. Manella

Name: Richard D. Manella

Title: Vice President

AMENDED AND RESTATED
DECLARATION OF TRUST

of

UAL Corporation Capital Trust I

December 30, 1996

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of December 30, 1996 by the undersigned trustees (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), UAL Corporation, a Delaware corporation, as trust sponsor ("UAL" or the "Sponsor") and the holders from time to time of undivided interests in the assets of the Trust (as hereinafter defined).

WHEREAS, the Sponsor and certain of the Trustees entered into a Declaration of Trust dated as of October 15, 1996 (the "Original Declaration") in order to establish a statutory business trust (the "Trust") under the Business Trust Act (as hereinafter defined);

WHEREAS, the Certificate of Trust (the "Certificate of Trust") of the Trust was filed with the office of the Secretary of State of the State of Delaware on October 15, 1996;

WHEREAS, the Trustees and the Sponsor desire to continue the Trust pursuant to the Business Trust Act for the purpose of, as described more fully in Section 3.3 hereof, (i) issuing Preferred Securities (as hereinafter defined) representing undivided beneficial interests in the assets of the Trust in exchange for Depositary Shares ("Depositary Shares") each representing 1/1,000 of a share of 12-1/4% Series B Preferred Stock (as hereinafter defined) of UAL pursuant to the Offer (as hereinafter defined) and delivering such Depositary Shares to UAL in consideration for the deposit by UAL as trust assets of Debentures (as hereinafter defined) of UAL issued under the Indenture (as hereinafter defined) and (ii) issuing and selling Common Securities (as hereinafter defined) representing undivided beneficial interests in the assets of the Trust to UAL in exchange for cash and investing the proceeds thereof in additional Debentures (as hereinafter defined) of UAL issued under the Indenture to be held as assets of the Trust; and

NOW, THEREFORE, it being the intention of the parties hereto that the Trust constitute a business trust under the Business Trust Act, that the Original Declaration be amended and restated in its entirety as provided herein and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets referred to in clauses (i) and (ii) of the previous recital clause contributed to or purchased by the Trust will be held in trust for the benefit of the Holders (as hereinafter defined) from time to time of the Certificates (as hereinafter defined) representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions.

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Amended and Restated Declaration of Trust (including Exhibits A, B and C hereto (the "Exhibits")) as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Exhibits are to Articles and Sections of and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 under the Securities Act or any successor rule thereunder.

"Book Entry Interest" means a beneficial interest in a Certificate registered in the name of a Clearing Agency or a nominee thereof, ownership and transfers of which shall be maintained and made through book entries by such Clearing Agency as described in Section 9.4.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions are authorized or obligated by law or executive order to close in the Place of Payment (as such term is defined in the Indenture).

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Sec. 3801 et seq., as it may be amended from time to time.

"Certificate" means a Common Security Certificate or a Preferred Security Certificate.

"Certificate of Trust" has the meaning set forth in the second Whereas clause above.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as a depository for the Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Certificate and which shall undertake to effect book entry transfers and pledges of the Preferred Securities.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or any successor legislation. A reference to a specific section of the Code refers not only to such specific section but also to any corresponding provision of any federal tax statute enacted after the date of this Declaration, as such specific section or corresponding provision is in effect on the date of application of the provisions of this Declaration containing such reference.

"Commission" means the U.S. Securities and Exchange Commission.

"Common Guarantee" means the Common Securities Guarantee Agreement dated as of December 30, 1996 of UAL in respect of the Common Securities.

"Common Security" has the meaning specified in Section 7.1(b).

"Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security substantially in the form of Annex I to Exhibit C.

"Covered Person" means (i) any officer, director, shareholder, partner, member, representative, employee or agent of the Trust or its Affiliates, (ii) any officer, director, shareholder, employee, representative or agent of UAL or its Affiliates and (iii) the Holders from time to time of the Securities.

"Dealer Manager Agreement" means the dealer manager agreement entered into among UAL, the Trust and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Smith Barney Inc. with respect to, among other things, the Offer and the Preferred Securities.

"Debenture Trustee" means The First National Bank of Chicago as trustee under the Indenture until a successor is appointed thereunder and thereafter means any such successor trustee.

"Debentures" means the series of Junior Subordinated Debentures issued by UAL under the Indenture to the Trust and entitled the "13 1/4% Junior Subordinated Debentures due 2026".

"Delaware Trustee" has the meaning set forth in Section 5.1(a)(3).

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 6.1.

"DTC" means The Depository Trust Company, the initial Clearing Agency.

"Event of Default" in respect of the Securities means an Indenture Event of Default has occurred and is continuing in respect of the Debentures.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Expiration Date" has the meaning set forth in the Prospectus.

"Fiscal Year" has the meaning specified in Section 11.1.

"Holder" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"Indemnified Person" means any Trustee, any Affiliate of any Trustee, any officers, directors, shareholders, members, partners, employees, representatives or agents of any Trustee, or any employee or agent of the Trust or its Affiliates.

"Indenture" means the Indenture dated as of December 20, 1996 between UAL and the Debenture Trustee as supplemented by the board resolution, supplemental indenture or officers' certificate pursuant to which the Debentures are to be issued.

"Indenture Event of Default" means any event or condition defined as an "Event of Default" with respect to the Debentures under Section 5.1 of the Indenture that has occurred and is continuing.

"Institutional Trustee" means the Trustee meeting the eligibility requirements set forth in Section 5.1(c) and having the duties set forth for the Institutional Trustee herein.

"Investment Company" means an investment company as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning specified in Section 3.6(g).

"Liquidation Distribution" has the meaning set forth in Exhibits B and C hereto establishing the terms of the Securities.

"Majority in liquidation amount of the Securities" means, except as otherwise required by the Trust Indenture Act and except as provided in the penultimate paragraph of paragraph 5 of Exhibit B hereto, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Common Securities each voting separately as a class, who are the record owners of a relevant class of Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) represents more than 50% of the liquidation amount of all outstanding Securities of such class.

"Ministerial Action" has the meaning set forth in the terms of the Securities as set forth in Exhibits B and C hereto.

"Offer" means the offer by the Trust to exchange Preferred Securities of the Trust for outstanding Depository Shares of UAL in consideration for the deposit to the Trust by UAL, as trust assets, of Debentures issued under the Indenture, all as described in the Prospectus.

"Original Declaration" has the meaning set forth in the first recital clause above.

"Paying Agent" has the meaning specified in Section 3.8(g).

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Guarantee" means the Guarantee Agreement dated as of December 30, 1996 of UAL in respect of the Preferred Securities.

"Preferred Security" has the meaning specified in Section 7.1(b).

"Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Preferred Security Certificate" means a definitive certificate in fully registered form representing a Preferred Security substantially in the form of Annex I to Exhibit B.

"Prospectus" means the Prospectus dated November 21, 1996 relating to the Offer.

"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both such Regular Trustees.

"Regular Trustee" means any Trustee other than the Institutional Trustee and the Delaware Trustee.

"Related Party" means any direct or indirect wholly owned subsidiary of UAL or any Person which owns, directly or indirectly, 100% of the outstanding voting securities of UAL.

"Resignation Request" has the meaning specified in Section 5.2(d).

"Responsible Officer" means, with respect to the Institutional Trustee, the chairman of the board of directors, the president, any vice-president, any assistant vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer of the Institutional Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act or any successor rule thereunder.

"Securities" means the Common Securities and the Preferred Securities.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Series B Preferred Stock" means the 12-1/4% Series B Preferred Stock of UAL.

"Special Event" has the meaning set forth in the terms of the Securities as set forth in Exhibits B and C hereto.

"Sponsor" or "UAL" means UAL Corporation, a Delaware corporation, or any successor entity in a merger or consolidation, in its capacity as sponsor of the Trust.

"Successor Delaware Trustee" has the meaning specified in Section 5.2(b)(ii).

"Successor Institutional Trustee" means a successor Trustee possessing the qualifications to act as Institutional Trustee under Section 5.1(c).

"10% in liquidation amount of the Securities" means, except as otherwise required by the Trust Indenture Act and except as provided in the penultimate paragraph of paragraph 5 of Exhibit B hereto, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Common Securities, voting separately as a class, who are the record owners of a relevant class of Securities whose liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) represents 10% or more of the liquidation amount of all outstanding Securities of such class.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"UAL Corporation Capital Trust" shall mean any statutory business trust created under the laws of the State of Delaware specified in the applicable board resolution, supplemental indenture or officers' certificate establishing a particular series of debt securities pursuant to Section 3.1 of the Indenture.

ARTICLE II

TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions;

(b) if and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control;

(c) the Institutional Trustee, to the extent permitted by applicable law and/or the rules and regulations of the Commission, shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act; and

(d) the application of the Trust Indenture Act to this Declaration shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Preferred Securities.

(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Institutional Trustee with such information as is required under Section 312(a) of the Trust Indenture Act at the times and in the manner provided in Section 312(a); and

(b) the Institutional Trustee shall comply with its obligations under Sections 310(b), 311 and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Institutional Trustee.

Within 60 days after May 15 of each year, the Institutional Trustee shall provide to the Holders of the Securities such reports, if any, as are required by Section 313 of the Trust Indenture Act in the form, in the manner and at the times provided by Section 313 of the Trust Indenture Act. The Institutional Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Institutional Trustee.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee, the Commission and the Holders of the Securities, as applicable, such documents, reports and information, if any, as required by Section 314(a)(1)-(3) of the Trust Indenture Act and the compliance certificates required by Section 314(a)(4) and (c) of the Trust Indenture Act, any such certificates to be provided in the form, in the manner and at the times required by Section 314(a)(4) and (c) of the Trust Indenture Act (provided that any certificate to be provided pursuant to Section 314(a)(4) of the Trust Indenture Act shall be provided within 120 days of the end of each Fiscal Year).

SECTION 2.5 Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration which relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given pursuant to Section 314(c) shall comply with Section 314(e) of the Trust Indenture Act.

SECTION 2.6 Events of Default; Waiver.

(a) Subject to Section 2.6(c), Holders of Preferred Securities may by vote of at least a Majority in liquidation amount of the Preferred Securities, voting separately as a class, (A) in accordance with the terms of the Preferred Securities, direct the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee, or (B) on behalf of all Holders of Preferred Securities waive any past Event of Default in respect of the Preferred Securities and its consequences, provided that if the Event of Default arises out of an Indenture Event of Default:

(i) which is not waivable under the Indenture, the Event of Default under this Declaration shall also not be waivable; or

(ii) which requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal

amount of the Debentures, or (2) each holder of Debentures, the Event of Default under this Declaration may only be waived by, in the case of clause (1) above, the vote of Holders of Preferred Securities representing such specified percentage of the aggregate liquidation amount of the Preferred Securities, or, in the case of clause (2) above, each Holder of Preferred Securities.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Preferred Securities or impair any right consequent thereon.

(b) Subject to Section 2.6(c), Holders of Common Securities may by vote of at least a Majority in liquidation amount of the Common Securities, voting separately as a class, (A) in accordance with the terms of the Common Securities, direct the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee, or (B) on behalf of all Holders of Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, provided that, if the Event of Default arises out of an Indenture Event of Default:

(i) which is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below, the Event of Default under this Declaration shall also not be waivable; or

(ii) which requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, except where the holders of the Common Securities are deemed to have waived such Event of Default under this Declaration as provided below, the Event of Default under this Declaration may only be waived by, in the case of clause (1) above, the vote of Holders of Common Securities representing such specified percentage of the aggregate liquidation amount of the Common Securities, or, in the case of clause (2) above, each Holder of Common Securities; and provided further that each Holder of Common Securities will be deemed to have waived any Event of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Preferred Securities have been cured, waived by the Holders of Preferred Securities as provided in this Declaration or otherwise eliminated and, until all Events of Default with respect to the Preferred Securities have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of the Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Institutional Trustee in accordance with the terms of this Declaration or the Securities. If any Event of Default with respect to the Preferred Securities is waived by the Holders of Preferred Securities as provided in this Declaration, the Holders of Common Securities agree that such waiver shall also constitute the waiver of such Event of Default with respect to the Common Securities for all purposes under this Declaration without any further act, vote or consent of the Holders of the Common Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) The right of any Holder of Securities to receive payment of Distributions on the Securities in accordance with this Declaration and the terms of the Securities set forth in Exhibits B and C on or after the respective payment dates therefor, or to institute suit for the enforcement of any such payment on or after such payment dates, shall not be impaired without the consent of each such Holder.

(d) As provided in the terms of the Securities set forth in Exhibits B and C hereto, a waiver of an Indenture Event of Default by the Institutional Trustee at the written direction of the Holders of the Preferred Securities constitutes a waiver of the corresponding Event of Default under this Declaration in respect of the Securities.

SECTION 2.7 Disclosure of Information.

The disclosure of information as to the names and addresses of the Holders of the Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law, or any law hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, nor shall the Institutional Trustee be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

ARTICLE III

ORGANIZATION

SECTION 3.1 Name.

The Trust continued by this Declaration is named "UAL Corporation Capital Trust I" as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.

The address of the principal office of the Trust is c/o UAL Corporation, 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, telephone number (847) 700-4000. Upon ten days' written notice to the Holders, the Regular Trustees may change the location of the Trust's principal office.

SECTION 3.3 Purpose.

The exclusive purposes and functions of the Trust are: (a)(i) to issue Preferred Securities in exchange for Depositary Shares pursuant to the Offer and to deliver such Depositary Shares to UAL in consideration for the deposit to the Trust by UAL, as trust assets, of Debentures issued under the Indenture having an aggregate principal amount equal to the aggregate liquidation amount of the Depositary Shares so delivered; (ii) to enter into such agreements and

arrangements as may be necessary in connection with the Offer and to take all action, and exercise such discretion, as may be necessary or desirable in connection with the Offer and to file such registration statements or make such other filings under the Securities Act, the Exchange Act or state securities or "Blue Sky" laws as may be necessary or desirable in connection with the Offer and the issuance of the Preferred Securities; and (iii) to issue and sell Common Securities to UAL for cash and use the proceeds of such sale to purchase as trust assets an equal aggregate principal amount of Debentures issued under the Indenture; and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets or, at any time while the Securities are outstanding, otherwise undertake (or permit to be undertaken) any activity that would result in or cause the Trust to be treated as anything other than a grantor trust for United States federal income tax purposes.

SECTION 3.4 Authority.

Subject to the limitations provided in this Declaration and to the specific duties of the Institutional Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Institutional Trustee in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.

Unless otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders of Certificates shall not have legal title to any part of the assets of the Trust, but shall have an individual undivided beneficial interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.

The Regular Trustees shall have the exclusive power, authority and duty to cause the Trust, and shall cause the Trust, to engage in the following activities:

(a) to issue Preferred Securities and Common Securities, in each case in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Preferred Securities and no more than one series of Common Securities, and, provided further, there shall be no interests in the Trust other than the Securities and the issuance of Securities shall be limited to a one-time, simultaneous issuance of both Preferred Securities and Common Securities;

(b) in connection with the Offer and the issuance of the Preferred Securities, at the direction of the Sponsor, to effect or cause to be effected the filings, and to execute or cause to be executed the documents, set forth in Section 3.11;

(c) to acquire as trust assets Debentures upon consummation of the Offer in connection with the exchange of Preferred Securities for Depository Shares pursuant to the Offer and to acquire as trust assets additional Debentures with the proceeds of the sale of the Common Securities;

(d) to cause the Trust to enter into the Dealer Manager Agreement and such other agreements and arrangements as may be necessary or desirable in connection with the Offer and the consummation thereof, and to take all action, and exercise all discretion, as may be necessary or desirable in connection with the Offer or the consummation thereof;

(e) to give the Sponsor and the Institutional Trustee prompt written notice of the occurrence of a Special Event, provided that the Regular Trustees shall consult with the Sponsor and the Institutional Trustee before taking or refraining from taking any Ministerial Action in relation to a Special Event;

(f) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including for the purposes of Section 316(c) of the Trust Indenture Act and with respect to Distributions, voting rights, redemptions, and exchanges, and to issue relevant notices to Holders of the Preferred Securities and Common Securities as to such actions and applicable record dates;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless, pursuant to Section 3.8(c), the Institutional Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(j) to give the certificate to the Institutional Trustee required by Section 314(a)(4) of the Trust Indenture Act, which certificate may be executed by any Regular Trustee;

(k) to incur expenses which are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, registrar and transfer agent for the Securities, the Regular Trustees hereby initially appointing The First National Bank of Chicago for such purposes;

(m) to take all actions and perform such duties as may be required of the Regular Trustee pursuant to the terms of the Securities set forth in Exhibits B and C hereto;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action which may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Securities or to enable the Trust to effect the purposes for which the Trust has been created;

(p) to take all action, not inconsistent with this Declaration or with applicable law, which the Regular Trustees determine in their discretion to be reasonable and necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, in order that:

(i) the Trust will not be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or a partnership and will be treated as a grantor trust for United States federal income tax purposes; and

(iii) the Trust will comply with any requirements imposed by any taxing authority on holders of instruments treated as indebtedness for United States federal income tax purposes; provided that such action does not adversely affect the interests of Holders;

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust; and

(r) subject to the requirements of Rule 3a-5 and Section 317(b) of the Trust Indenture Act, to appoint one or more Paying Agents in addition to the Institutional Trustee.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner which is consistent with the purposes and functions of the Trust set out in Section 3.3 and the Regular Trustees shall not take any action which is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none of the powers nor any of the authority of the Institutional Trustee set forth in Section 3.8.

SECTION 3.7 Prohibition of Actions by Trust and Trustees.

The Trust shall not, and the Trustees (including the Institutional Trustee) shall cause the Trust not to, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Institutional Trustee) shall cause the Trust not to:

(a) invest any proceeds received by the Trust from holding the Debentures but shall promptly distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(b) acquire any assets other than as expressly provided herein;

(c) possess Trust property for other than a Trust purpose;

(d) make any investments, other than investments represented by the Debentures;

(e) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever;

(f) issue any securities or other evidences of beneficial ownership of, or beneficial interests in, the Trust other than the Securities;

(g) incur any indebtedness for borrowed money; or

(h) (i) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (ii) waive any past default that is waivable under Section 5.7 of the Indenture, (iii) exercise any right to rescind or annul any declaration that the principal of all of the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures, in each case where such consent shall be required, unless in the case of this clause (h) the Institutional Trustee shall have received an unqualified opinion of nationally recognized independent tax counsel recognized as expert in such matters to the effect that such action will not cause the Trust to be classified for United States federal income tax purposes as an association taxable as a corporation or partnership and that the Trust will continue to be classified as a grantor trust for United States federal income tax purposes.

SECTION 3.8 Powers and Duties of the Institutional Trustee.

(a) The Institutional Trustee shall:

(i) on the receipt of payments of funds made in respect of the Debentures held by the Trust, without any further acts of the Institutional Trustee or the Regular Trustees, promptly make payments to the Holders of the Preferred Securities and Common Securities in accordance with Section 6.1. Funds held in the Trust may be held uninvested, and without liability for interest thereon, until disbursed in accordance with this Declaration;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect promptly the redemption of the Preferred Securities and the Common Securities to the extent the Debentures are redeemed or mature;

(iii) upon notice of distribution issued by the Regular Trustees in accordance with the terms of the Preferred Securities and the Common Securities, engage in such ministerial activities as shall be necessary or appropriate to effect promptly the distribution pursuant to terms of the Securities of Debentures to Holders of Securities upon the occurrence of a Special Event; and

(iv) have the legal power to exercise all of the rights, powers and privileges of a holder of the Debentures under the Indenture and, if an Event of Default occurs and is continuing, the Institutional Trustee, subject to Section 2.6(b), shall, for the benefit of the Holders of the Securities, enforce its rights as holder of the Debentures under the Indenture, subject to the rights of the Holders of the Preferred Securities pursuant to the terms of this Declaration and the Trust Indenture Act.

(b) The Institutional Trustee shall take all actions and perform such duties as may be specifically required of the Institutional Trustee pursuant to the terms of the Securities set forth in Exhibits B and C hereto.

(c) The Institutional Trustee shall take any Legal Action which arises out of or in connection with an Event of Default or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act.

(d) All moneys and all Debentures held by the Trust will not be subject to any right, charge, security interest, lien or claim of any kind in favor of, or for the benefit of, the Institutional Trustee or its agents or their creditors.

(e) The Institutional Trustee shall, within 90 days after the occurrence of a default with respect to the Securities, transmit by mail, first class postage prepaid, to the Holders of the Securities, as their names and addresses appear upon the register, notice of all defaults with respect to the Securities known to the Institutional Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 3.8(e) being hereby defined to be an Indenture Event of Default, not including any periods of grace provided for in the Indenture and irrespective of the giving of any notice provided therein); provided that, except in the case of default in the payment of the principal of or interest on any of the Debentures, the Institutional Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers, of the Institutional Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities. The Institutional Trustee shall not be deemed to have knowledge of any default, except (i) a default in the payment of principal, premium or interest on the Debentures or (ii) any default as to which the Institutional Trustee shall have received written notice or a Responsible Officer charged with the administration of this Declaration shall have obtained written notice.

(f) The Institutional Trustee shall continue to serve as a Trustee until:

(i) the Trust has been completely liquidated and the proceeds thereof distributed to the Holders of Securities pursuant to the terms of the Securities; or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Article V.

(g) The Institutional Trustee shall act or appoint another Person to act as paying agent in respect of the Securities and, subject to Section 3.6(r), may authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to the Preferred Securities. Any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Institutional Trustee, after consultation with the Regular Trustees, at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Institutional Trustee, subject to Section 3.6(r). The Institutional Trustee hereby initially appoints The First National Bank of Chicago as the Paying Agent.

(h) The Institutional Trustee shall give prompt written notice to the Holders of the Securities of any notice received by it from UAL of its election to defer payments of interest on the Debentures by extending the interest payment period with respect thereto.

(i) Subject to this Section 3.8, the Institutional Trustee shall have none of the powers or the authority of the Regular Trustees set forth in Section 3.6.

(j) The Institutional Trustee shall exercise the powers, duties and rights set forth in this Section 3.8 and Section 3.10 in a manner which is consistent with the purposes and functions of the Trust set out in Section 3.3 and the Institutional Trustee shall not take any action which is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

SECTION 3.9 Delaware Trustee.

Notwithstanding any other provision of this Declaration other than Section 5.1(a)(3), the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Regular Trustees and the Institutional Trustee described in this Declaration or any of the duties or responsibilities of Trustees generally. Except as set forth in Section 5.1(a)(3), the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act. No implied covenants or obligations shall be read into this Declaration against the Delaware Trustee.

SECTION 3.10 Certain Rights and Duties of the Institutional Trustee.

(a) The Institutional Trustee, before the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration, and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Institutional Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Institutional Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Institutional Trustee shall be determined solely by the express provisions of this Declaration, and the Institutional Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no

implied covenants or obligations shall be read into this Declaration against the Institutional Trustee; and

(B) in the absence of bad faith on the part of the Institutional Trustee, the Institutional Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Institutional Trustee and conforming to the requirements of this Declaration; but, in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Institutional Trustee, the Institutional Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) the Institutional Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Institutional Trustee, unless it shall be proved that the Institutional Trustee was negligent in ascertaining the pertinent facts;

(iii) the Institutional Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders as provided herein relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee hereunder or under the Indenture, or exercising any trust or power conferred upon the Institutional Trustee under this Declaration; and

(iv) no provision of this Declaration shall require the Institutional Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Subject to the provisions of Section 3.10(a) and (b):

(i) whenever, in the administration of this Declaration, the Institutional Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part and, if the Trust is excluded from the definition of Investment Company solely by means of Rule 3a-5, subject to the requirements of Rule 3a-5, request and rely upon a certificate, which shall comply with the provisions of Section 314(e) of the Trust Indenture Act, signed by any two of the Regular Trustees or by an authorized officer of the Sponsor, as the case may be;

(ii) The Institutional Trustee (A) may consult with counsel of its choice (which may be counsel to the Sponsor or any of its Affiliates and may include any of its employees) selected by it in good faith and with due care and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice and opinion and (B) shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(iii) The Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it in good faith and with due care;

(iv) The Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holders, unless such Holders shall have offered to the Institutional Trustee reasonable security and indemnity against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction; provided that nothing contained in this clause (iv) shall relieve the Institutional Trustee of the obligation, upon the occurrence of an Event of Default (which has not been cured or waived) to exercise such of the rights and powers vested in it by this Declaration, and to use the same degree of care and skill in this exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and

(v) Any action taken by the Institutional Trustee or its agents hereunder shall bind the Holders of the Securities and the signature of the Institutional Trustee or its agents alone shall be sufficient and effective to perform any such action; and no third party shall be required to inquire as to the authority of the Institutional Trustee to so act, or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Institutional Trustee's or its agent's taking such action.

SECTION 3.11 Registration Statement and Related Matters.

In accordance with the Original Declaration, UAL and the Trustees have authorized and directed, and hereby confirm the authorization of, UAL, as the sponsor of the Trust, (i) to file with the Commission and execute, in each case on behalf of the Trust, (a) the Registration Statement on Form S-4 (File No. 333-14245) (the "1933 Act Registration Statement") and any pre-effective or post-effective amendments to such Registration Statement, relating to the registration under the Securities Act of the Preferred Securities of the Trust, (b) a Registration Statement on Form 8-A or other appropriate form (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12(b) of the Exchange Act and (c) an Issuer Tender Offer Statement on Schedule 13E-4 and any other tender offer statement required to be filed by the Trust with the Commission (including, if necessary, Schedule 14D-1) relating to the Offer (collectively, the "Tender Offer Schedules") and any amendment or supplement thereto; (ii) to file with the New York Stock Exchange ("NYSE") and execute on behalf of the Trust a listing application and all other applications, statements, agreements and other instruments as shall be necessary or desirable to cause the Preferred Securities to be listed on the NYSE; (iii) to file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the Preferred Securities under the securities or "Blue Sky" laws of such jurisdictions as UAL, on behalf of the Trust, may deem necessary or desirable and (iv) to execute on behalf of the Trust the Dealer Manager Agreement, relating to the Offer, substantially in the form included as Exhibit 1 to the 1933 Act Registration Statement. In the event that any filing referred to in clauses (i)-(iii) above is required by the rules and regulations of the Commission, the NYSE or state securities or "Blue Sky" laws, to be executed on behalf of the Trust by the Trustees, the Regular Trustees, in their capacities as Trustees of the Trust, are hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that the Institutional Trustee and the Delaware Trustee, in their capacities as Trustees of the Trust, shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, the NYSE or state securities or "Blue Sky" laws. In connection with all of the foregoing, each Trustee, solely in its capacity as Trustee of

the Trust, has constituted and appointed, and hereby confirms the appointment of, UAL Corporation as his, her or its true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such Trustee or in such Trustee's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the 1933 Act Registration Statement, the 1934 Act Registration Statement and the Tender Offer Schedules and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such Trustee might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or its substitute, shall do or cause to be done by virtue hereof.

SECTION 3.12 Filing of Amendments to Certificate of Trust.

The Certificate of Trust as filed with the Secretary of State of the State of Delaware on October 15, 1996 is attached hereto as Exhibit A. On or after the date of execution of this Declaration, the Trustees shall cause the filing with the Secretary of State of the State of Delaware of such amendments to the Certificate of Trust as the Trustees shall deem necessary or desirable.

SECTION 3.13 Execution of Documents by Regular Trustees.

Unless otherwise determined by the Regular Trustees and except as otherwise required by the Business Trust Act with respect to the Certificate of Trust or otherwise, a majority of, or, if there are only two, both of, the Regular Trustees are authorized to execute and deliver on behalf of the Trust any documents which the Regular Trustees have the power and authority to execute or deliver pursuant to this Declaration.

SECTION 3.14 Trustees Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Securities.

SECTION 3.15 Duration of Trust.

The Trust, absent termination pursuant to the provisions of Article VIII hereof, shall have existence until December 15, 2026.

ARTICLE IV

SPONSOR

SECTION 4.1 Purchase of Common Securities by Sponsor.

The Sponsor will purchase Common Securities issued by the Trust at the same time as the Preferred Securities are issued in exchange for Depository Shares pursuant to the Offer, such purchase to be in an amount equal to 3% of the sum of (i) the aggregate stated liquidation amount of the Preferred Securities issued in exchange for Depository Shares pursuant to the Offer and (ii) the proceeds derived from the sale of the Common Securities.

SECTION 4.2 Expenses.

(a) The Sponsor shall be responsible for and shall pay for all debts and obligations (other than with respect to the Securities) and all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the issuance of the Preferred Securities pursuant to the Offer, the fees and expenses (including reasonable counsel fees and expenses) of the Trustees (including any amounts payable under Article X), the costs and expenses relating to the operation of the Trust, including, without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the disposition of Trust assets).

(b) The Sponsor will pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

(c) The Sponsor's obligations under this Section 4.2 shall be for the benefit of, and shall be enforceable by, any Person to whom any such debts, obligations, costs, expenses and taxes are owed (a "Creditor") whether or not such Creditor has received notice hereof. Any such Creditor may enforce the Sponsor's obligations under this Section 4.2 directly against the Sponsor and the Sponsor irrevocably waives any right or remedy to require that any such Creditor take any action against the Trust or any other Person before proceeding against the Sponsor. The Sponsor agrees to execute such additional agreements as may be necessary or desirable in order to give full effect to the provisions of this Section 4.2.

ARTICLE V

TRUSTEES

SECTION 5.1 Number of Trustees; Qualifications.

(a) The number of Trustees initially shall be five (5). At any time (i) before the issuance of the Securities, the Sponsor may, by written instrument, increase or decrease the number of, and appoint, remove and replace the, Trustees, and (ii) after the issuance of the Securities, the number of Trustees may be increased or decreased solely by, and Trustees may be appointed, removed or replaced solely by, vote of Holders of Common Securities representing a

Majority in liquidation amount of the Common Securities voting as a class; provided that in any case:

(1) the number of Trustees shall be at least five (5) unless the Trustee that acts as the Institutional Trustee also acts as the Delaware Trustee, in which case the number of Trustees shall be at least three (3);

(2) at least a majority of the Trustees shall at all times be officers, directors or employees of UAL;

(3) if required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be either a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise is permitted to act as a Trustee hereunder under the laws of the State of Delaware, except that if the Institutional Trustee has its principal place of business in the State of Delaware and otherwise is permitted to act as a Trustee hereunder under the laws of the State of Delaware, then the Institutional Trustee shall also be the Delaware Trustee and Section 3.9 shall have no application; and

(4) there shall at all times be an Institutional Trustee hereunder which shall satisfy the requirements of Section 5.1(c). Each Trustee shall be either a natural person at least 21 years of age or a legal entity which shall act through one or more duly appointed representatives.

(b) The initial Regular Trustees shall be:

Douglas A. Hacker
Francesca M. Maher
Thomas A. Mutryn
c/o UAL Corporation
1200 East Algonquin Road
Elk Grove Township, Illinois 60007

(c) There shall at all times be one Trustee which shall act as Institutional Trustee. In order to act as Institutional Trustee hereunder, such Trustee shall:

(i) not be an Affiliate of the Sponsor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 5.1(c)(ii), the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

If at any time the Institutional Trustee shall cease to satisfy the requirements of clauses (i)-(ii) above, the Institutional Trustee shall immediately resign in the manner and with the effect set out in Section 5.2(d). If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Institutional Trustee and the Holders of the Common Securities (as if such Holders were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act. The Preferred Guarantee shall be deemed to be specifically described in this Declaration for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

The initial Trustee which shall serve as the Institutional Trustee is The First National Bank of Chicago, whose address is as set forth in Section 14.1(b).

(d) The initial Trustee which shall serve as the Delaware Trustee is First Chicago Delaware Inc., whose address is as set forth in Section 14.1(c).

(e) Any action taken by Holders of Common Securities pursuant to this Article V shall be taken at a meeting of Holders of Common Securities convened for such purpose or by written consent as provided in Section 12.2.

(f) No amendment may be made to this Section 5.1 which would change any rights with respect to the number, existence or appointment and removal of Trustees, except with the consent of each Holder of Common Securities.

SECTION 5.2 Appointment, Removal and Resignation of Trustees.

(a) Subject to Section 5.2(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of the Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of the Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class.

(b) (i) The Trustee that acts as Institutional Trustee shall not be removed in accordance with Section 5.2(a) until a Successor Institutional Trustee possessing the qualifications to act as Institutional Trustee under Section 5.1(c) has been appointed and has accepted such appointment by written instrument executed by such Successor Institutional Trustee and delivered to the Regular Trustees, the Sponsor and the Institutional Trustee being removed; and

(ii) the Trustee that acts as Delaware Trustee shall not be removed in accordance with Section 5.2(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Section 5.1(a)(3) (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees, the Sponsor and the Delaware Trustee being

removed.

(c) A Trustee appointed to office shall hold office until such Trustee's successor shall have been appointed or until death, removal or resignation.

(d) Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument (a "Resignation Request") in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided however, that:

(i) no such resignation of the Trustee that acts as the Institutional Trustee shall be effective until a Successor Institutional Trustee possessing the qualifications to act as Institutional Trustee under Section 5.1(c) has been appointed and has accepted such appointment by instrument executed by such Successor Institutional Trustee and delivered to the Trust, the Sponsor and the resigning Institutional Trustee; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(e) If no Successor Institutional Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.2 within 60 days after delivery to the Sponsor and the Trust of a Resignation Request, the resigning Institutional Trustee or Delaware Trustee may petition any court of competent jurisdiction for appointment of a Successor Institutional Trustee or Successor Delaware Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, appoint a Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

SECTION 5.3 Vacancies Among Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1 or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with the requirements of this Article V.

SECTION 5.4 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee, or any one of them, shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled as provided in this Article V, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.5 Meetings.

Meetings of the Regular Trustees shall be held from time to time upon the call of any Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees.

SECTION 5.6 Delegation of Power.

(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any registration statement or amendment thereto or other document or schedule filed with the Commission or making any other governmental filing (including, without limitation filings referred to in Section 3.11).

(b) The Regular Trustees shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

ARTICLE VI

DISTRIBUTIONS

SECTION 6.1 Distributions.

Holders shall receive periodic distributions, redemption payments and liquidation distributions in accordance with the applicable terms of the relevant Holder's Securities ("Distributions"). Distributions shall be made to the Holders of Preferred Securities and Common Securities in accordance with the terms of the Securities as set forth in Exhibits B and C hereto. If and to the extent that UAL makes a payment of interest and principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"), the Institutional Trustee shall and is directed to promptly make a

Distribution of the Payment Amount to Holders in accordance with the terms of the Securities as set forth in Exhibits B and C hereto.

ARTICLE VII

ISSUANCE OF SECURITIES

SECTION 7.1 General Provisions Regarding Securities.

- (a) The Regular Trustees shall issue on behalf of the Trust securities in fully registered form representing undivided beneficial interests in the assets of the Trust in accordance with Section 7.1(b) and for the consideration specified in Section 3.3.
- (b) The Regular Trustees shall issue on behalf of the Trust one class of preferred securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit B (the "Preferred Securities") which terms are incorporated by reference in, and made a part of, this Declaration as if specifically set forth herein, and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Exhibit C (the "Common Securities") which terms are incorporated by reference in, and made a part of, this Declaration as if specifically set forth herein. The Trust shall have no securities or other interests in the assets of the Trust other than the Preferred Securities and the Common Securities.
- (c) The Certificates shall be signed on behalf of the Trust by the Regular Trustees (or if there are more than two Regular Trustees by any two of the Regular Trustees). Such signatures may be the manual or facsimile signatures of the present or any future Regular Trustee. Typographical and other minor errors or defects in any such reproduction of any such signature shall not affect the validity of any Security. In case any Regular Trustee of the Trust who shall have signed any of the Certificates shall cease to be such Regular Trustee before the Certificate so signed shall be delivered by the Trust, such Certificate nevertheless may be delivered as though the person who signed such Certificate had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons as, at the actual date of the execution of such Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage. Pending the preparation of definitive Certificates, the Regular Trustees on behalf of the Trust may execute temporary Certificates (printed, lithographed or typewritten), substantially in the form of the definitive Certificates in lieu of which they are issued, but with such omissions, insertions and variations as may be appropriate for temporary Certificates, all as may be determined by the Regular Trustees. Each temporary Certificate shall be executed by the Regular Trustees on behalf of the Trust upon the same conditions and in substantially the same manner, and with like effect, as definitive Certificates. Without unnecessary delay, the Regular Trustees on behalf of the Trust will execute and furnish definitive Certificates and thereupon any or all temporary Certificates may be surrendered to the transfer agent and registrar in exchange therefor (without charge to the Holders). Each Certificate whether in temporary or definitive form shall be countersigned by the manual signature of an authorized signatory of the Person acting as registrar and transfer agent for the Securities, which shall initially be The First National Bank of Chicago.
- (d) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.
- (e) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.
- (f) Every Person, by virtue of having become a Holder or a Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.
- (g) Upon issuance of the Securities as provided in this Declaration, the Regular Trustees on behalf of the Trust shall return to UAL the \$10 constituting initial trust assets as set forth in the Original Declaration.

ARTICLE VIII

TERMINATION OF TRUST

SECTION 8.1 Termination of Trust.

The Trust shall terminate:

- (i) when all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders of Securities in accordance with the terms of the Securities; or
- (ii) when all of the Debentures shall have been distributed to the Holders of Securities in exchange for all of the Securities in accordance with the terms of the Securities; or
- (iii) upon the expiration of the term of the Trust as set forth in Section 3.15, and a certificate of cancellation is filed by the Trustees with the Secretary of State of the State of Delaware; or

(iv) upon the bankruptcy of UAL or the Trust; or

(v) upon the filing of a certificate of dissolution or the equivalent with respect to UAL, the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of at least a majority in liquidation amount of the Securities, voting together as a single class, to file such certificate of cancellation, or the revocation of the charter of UAL and the expiration of 90 days after the date of revocation without a reinstatement thereof; or

(vi) upon the entry of a decree of judicial dissolution of UAL or the Trust.

The Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware after (i) termination of the Trust in accordance with this Section 8.1, (ii) satisfaction of creditors of the Trust and (iii) distribution of the Trust's assets in accordance with this Declaration. The provisions of Sections 3.10 and 4.2 and Article X shall survive the termination of the Trust.

ARTICLE IX

TRANSFER OF INTERESTS

SECTION 9.1 Transfer of Securities.

(a) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration. Any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article IX, Preferred Securities shall be freely transferable.

(c) Subject to this Article IX, UAL and any Related Party may only transfer Common Securities to UAL or a Related Party, provided that any such transfer shall be subject to the condition that the transferor shall have obtained (1) either a ruling from the Internal Revenue Service or an unqualified written opinion addressed to the Trust and delivered to the Trustees of nationally recognized independent tax counsel experienced in such matters to the effect that such transfer will not (i) cause the Trust to be treated as issuing a class of interests in the Trust differing from the class of interests represented by the Common Securities originally issued to UAL, (ii) result in the Trust acquiring or disposing of, or being deemed to have acquired or disposed of, an asset, or (iii) result in or cause the Trust to be treated as anything other than a grantor trust for United States federal income tax purposes and (2) an unqualified written opinion addressed to the Trust and delivered to the Trustees of a nationally recognized independent counsel experienced in such matters that such transfer will not cause the Trust to be an Investment Company or controlled by an Investment Company.

SECTION 9.2 Transfer of Certificates.

The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other government charges which may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration. The Trust shall not be required (i) to issue, or register the transfer of or exchange of, any Securities during the period beginning at the opening of 15 business days before the mailing of a notice of redemption of Securities according to the terms of the Securities and ending at the close of business on the day of the mailing of the relevant notice of redemption or (ii) to register the transfer of or exchange of any Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 9.3 Deemed Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trustees shall have actual or other notice thereof.

SECTION 9.4 Book Entry Interests.

The Preferred Securities Certificates, on original issuance, will be issued in fully registered form. With respect to any Certificates registered on the books and records of the Trust in the name of a Clearing Agency or the nominee of a Clearing Agency:

(i) the Trust and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Declaration (including paying Distributions on such Certificates and receiving approvals, votes or consents hereunder) as the Preferred Security Holder and the sole holder of such Certificates and, except as set forth herein, shall have no obligation to the Preferred Security Beneficial Owners;

(ii) to the extent that the provisions of this Section 9.4 conflict with any other provisions of this Declaration, the provisions of this Section 9.4 shall control; and

(iii) the rights of the Preferred Security Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Preferred Security Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants. The Clearing Agency will make book entry transfers among Clearing Agency Participants and receive and transmit payments of Distributions on such Certificates

to such Clearing Agency Participants; provided, that solely for the purposes of determining whether the Holders of the requisite amount of Preferred Securities have voted on any matter provided for in this Declaration, so long as definitive Preferred Security Certificates have not been issued (pursuant to Section 9.7 hereof), the Trustees may conclusively rely on, and shall be protected in relying on, any written instrument (including a proxy) delivered to the Trustees by the Clearing Agency setting forth the Preferred Security Beneficial Owners' votes or assigning the right to vote on any matter to any other Persons either in whole or in part.

SECTION 9.5 Notices to Holders of Certificates.

Whenever a notice or other communication to the Holders is required to be given under this Declaration, the relevant Trustees shall give such notices and communications to the Holders and, with respect to any Preferred Security Certificate registered in the name of a Clearing Agency or the nominee of a Clearing Agency, the Trustees shall, except as set forth herein, have no obligations to the Preferred Security Beneficial Owners.

SECTION 9.6 Appointment of Successor Clearing Agency.

If any Clearing Agency elects to discontinue its services as securities depository with respect to the Preferred Securities, the Regular Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to the Preferred Securities.

SECTION 9.7 Definitive Preferred Securities Certificates.

If (i) a Clearing Agency elects to discontinue its services as securities depository with respect to the Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 9.6 or (ii) the Regular Trustees elect after consultation with the Sponsor to terminate the book entry system through the Clearing Agency with respect to the Preferred Securities, then, upon surrender of the Certificates representing the Book Entry Interests with respect to the Preferred Securities by the Clearing Agency, accompanied by registration instructions, the Regular Trustees shall cause definitive Preferred Security Certificates to be delivered to Preferred Security Beneficial Owners in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on, and shall be protected in relying on, such instructions.

SECTION 9.8 Mutilated, Destroyed, Lost or Stolen Certificates.

If (a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and (b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless, then in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, any two Regular Trustees on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.8, the Regular Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X

LIMITATION OF LIABILITY; INDEMNIFICATION

SECTION 10.1 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the Institutional Trustee or the Delaware Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

(c) Pursuant to Section 3803 (a) of the Business Trust Act, the Holders of Securities, in their capacities as Holders, shall be entitled to the same limitation of liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 10.2 Indemnification.

(a) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of gross negligence (or, in the case of the Institutional Trustee or the Delaware Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Sponsor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Sponsor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 10.2(a).

(c) The provisions of this Section 10.2 shall survive the termination of this Declaration.

SECTION 10.3 Outside Business.

The Sponsor and any Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. Neither the Sponsor nor any Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and the Sponsor or any Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor or may act as depository, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI

ACCOUNTING

SECTION 11.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books and records of the Trust, together with a copy of this Declaration and a certified copy of the Certificate of Trust, and any amendment thereto, shall at all times be maintained at the principal office of the Trust and shall be open for inspection for any examination by any Holder or its duly authorized representative for any purpose reasonably related to its interest in the Trust during normal business hours.

(b) If required by applicable law, the Regular Trustees shall, as soon as available after the end of each Fiscal Year of the Trust, cause to be prepared and mailed to each Holder of Securities unaudited financial statements of the Trust for such Fiscal Year, prepared in accordance with generally accepted accounting principles, provided that if the Trust is required to comply with the periodic reporting requirements of Sections 13(a) or 15(d) of the Exchange Act, such financial statements for such Fiscal Year shall be examined and reported on by a firm of independent certified public accountants selected by the Regular Trustees (which firm may be the firm used by the Sponsor).

(c) The Regular Trustees shall cause to be prepared and mailed to each Holder of Securities an annual United States federal income tax information statement, on such form as is required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Regular Trustees shall cause to be prepared and filed with the appropriate taxing authority an annual United States federal income tax return, on such form as is required by the Code, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority, such returns to be filed as soon as practicable after the end of each Fiscal Year of the Trust.

SECTION 11.3 Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust. The sole signatories for such accounts shall be designated by the Regular Trustees.

SECTION 11.4 Withholding.

The Trust and the Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Trust shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed overwithholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount to be withheld was not withheld from a Distribution, the Trust may reduce subsequent Distributions by the amount of such withholding.

ARTICLE XII

AMENDMENTS AND MEETINGS

SECTION 12.1 Amendments.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may be amended by, and only by, a written instrument executed by a majority of the Regular Trustees; provided, however, that (i) no amendment to this Declaration shall be made if such amendment or modification would cause the Trust to be classified for United States federal income tax purposes as other than a grantor trust or would cause the Trust to be deemed an "investment company" which is required to be registered under the 1940 Act, (ii) at such time after the Trust has issued any Securities which remain outstanding, any amendment which would adversely affect the rights, privileges or preferences of any Holder of Securities may be effected only with such additional requirements as may be set forth in the terms of such Securities, (iii) Section 4.2, Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Securities, (iv) no amendment which adversely affects the rights, powers and privileges of the Institutional Trustee shall be made without the consent of the Institutional Trustee, (v) Article IV shall not be amended without the consent of the Sponsor and (vi) the rights of Holders of Common Securities under Article V to increase or decrease the number of, and to appoint, replace or remove, Trustees shall not be amended without the consent of each Holder of Common Securities.

(b) Notwithstanding Section 12.1(a)(ii), this Declaration may be amended without the consent of the Holders of the Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration, (iii) add to the covenants, restrictions or obligations of the Sponsor, (iv) preserve the status of the Trust as a grantor trust for federal income tax purposes, and (v) conform to any changes in Rule 3a-5 or any change in interpretation or application of Rule 3a-5 by the Commission, which amendment does not adversely affect the rights, preferences or privileges of the Holders.

SECTION 12.2 Meetings of the Holders of Securities; Action by Written Consent.

(a) Meetings of the Holders of Preferred Securities and/or Common Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Preferred Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of Holders of Preferred Securities or Common Securities, if directed to do so by Holders of at least 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those specified Certificates shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provision shall apply to meetings of Holders of Securities:

(i) Notice of any such meeting shall be given by mail to all the Holders of Securities having a right to vote thereat not less than 7 days nor more than 60 days prior to the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by Holders of Securities owning not less than the minimum aggregate liquidation amount of Securities that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Holders of Securities for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees.

(ii) Each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of a Security is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of the Security executing it. Except as otherwise provided herein or in the terms of the Securities, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation.

(iii) Each meeting of the Holders of the Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate.

(iv) Unless otherwise provided in the Business Trust Act, this Declaration or the rules of any stock exchange on which the Preferred Securities are then listed or admitted for trading, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII

REPRESENTATIONS OF INSTITUTIONAL TRUSTEE AND DELAWARE TRUSTEE

SECTION 13.1 Representations and Warranties of Institutional Trustee.

(a) The Trustee which acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee, that:

(i) The Institutional Trustee is a national banking association with trust powers, duly organized, validly existing and in good standing under the laws of the United States, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(ii) The execution, delivery and performance by the Institutional Trustee of this Declaration has been duly authorized by all necessary corporate action on the part of the Institutional Trustee. The Declaration has been duly executed and delivered by the Institutional Trustee, and constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(iii) The execution, delivery and performance of this Declaration by the Institutional Trustee do not conflict with or constitute a breach of the Charter or By-laws of the Institutional Trustee.

(iv) No consent, approval or authorization of, or registration with or notice to, any banking authority which supervises or regulates the Institutional Trustee is required for the execution, delivery or performance by the Institutional Trustee of this Declaration.

(v) The Institutional Trustee satisfies the qualifications set forth in Section 5.1(c).

(b) The Trustee which acts as initial Delaware Trustee represents and warrants to the Trust and the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee, that it satisfies the qualifications set forth in Section 5.1(a)(3).

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1 Notices.

All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Regular Trustees on behalf of the Trust may give notice of to the Holders of the Securities):

UAL Corporation Capital Trust I
c/o UAL Corporation
1200 East Algonquin Road
Elk Grove Township, Illinois 60007
Attention: Trustees
Facsimile No: (847) 700-4683

(b) if given to the Institutional Trustee, at the mailing address of the Institutional Trustee set forth below (or such other address as the Institutional Trustee may give notice of to the Holders of the Securities):

The First National Bank of Chicago
One First National Plaza, Suite 0216
Chicago, Illinois 60670-0126
Attention: Corporate Trust Department
Facsimile No: (312) 407-1708

(c) if given to the Delaware Trustee, at the mailing address of the Delaware Trustee set forth below (or such other address as the Delaware Trustee may give notice of to the Holders of the Securities):

First Chicago Delaware Inc.
300 King Street
Wilmington, Delaware 19801
Facsimile No: (312) 407-1708

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

UAL Corporation
1200 East Algonquin Road
Elk Grove Township, Illinois 60007

Attention: Corporate Secretary
Facsimile No: (847) 700-4683

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

A copy of any notice to the Institutional Trustee or the Delaware Trustee shall also be sent to the Trust. All notices shall be deemed to have been given, when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 14.2 Undertaking for Costs.

All parties to this Declaration agree, and each Holder of any Securities by such Holder's acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Declaration, or in any suit against the Institutional Trustee for any action taken or omitted by it as Institutional Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 14.2 shall not apply to any suit instituted by the Institutional Trustee, to any suit instituted by any Holder of Preferred Securities, or group of Holders of Preferred Securities, holding more than 10% in aggregate liquidation amount of the outstanding Preferred Securities, or to any suit instituted by any Holder of Preferred Securities for the enforcement of the payment of the principal of or interest on the Debentures, on or after the respective due dates expressed in such Debentures.

SECTION 14.3 Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE; PROVIDED HOWEVER, THAT THERE SHALL NOT BE APPLICABLE TO THE TRUST, THE TRUSTEES OR THIS DECLARATION ANY PROVISIONS OF THE LAWS (STATUTORY OR COMMON) OF THE STATE OF DELAWARE PERTAINING TO TRUSTS, OTHER THAN THE BUSINESS TRUST ACT, THAT RELATE TO OR REGULATE, IN A MANNER INCONSISTENT WITH THE TERMS HEREOF, (I) THE FILING WITH ANY COURT OR GOVERNMENTAL BODY OR AGENCY OF TRUSTEE ACCOUNTS OR SCHEDULES OF TRUSTEE FEES AND CHARGES, (II) AFFIRMATIVE REQUIREMENTS TO POST BONDS FOR TRUSTEES, OFFICERS, AGENTS OR EMPLOYEES OF A TRUST, (III) THE NECESSITY FOR OBTAINING COURT OR OTHER GOVERNMENTAL APPROVAL CONCERNING THE ACQUISITION, HOLDING OR DISPOSITION OF REAL OR PERSONAL PROPERTY, (IV) FEES OR OTHER SUMS PAYABLE TO TRUSTEES, OFFICERS, AGENTS OR EMPLOYEES OF A TRUST, (V) THE ALLOCATION OF RECEIPTS AND EXPENDITURES TO INCOME OR PRINCIPAL, (VI) RESTRICTIONS OR LIMITATIONS ON THE PERMISSIBLE NATURE, AMOUNT OR CONCENTRATION OF TRUST INVESTMENTS OR REQUIREMENTS RELATING TO THE TITLING, STORAGE OR OTHER MANNER OF HOLDING OR INVESTING TRUST ASSETS, OR (VII) THE ESTABLISHMENT OF FIDUCIARY OR OTHER STANDARDS OR RESPONSIBILITIES OR LIMITATIONS ON THE ACTS OR POWERS OF TRUSTEES, THAT ARE INCONSISTENT WITH THE LIMITATIONS OR LIABILITIES OR AUTHORITIES AND POWERS OF TRUSTEES AS SET FORTH OR REFERENCED IN THIS AGREEMENT. SECTION 3540 OF TITLE 12 OF THE DELAWARE CODE SHALL NOT APPLY TO THE TRUST.

SECTION 14.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 14.5 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to Persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 14.6 Counterparts.

This Declaration may contain more than one counterpart of the signature pages and this Declaration may be executed by the affixing of the signature of the Sponsor and each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

SECTION 14.7 Intention of the Parties.

It is the intention of the parties hereto that the Trust not be classified for United States federal income tax purposes an association taxable as a corporation or partnership but that the Trust be treated as a grantor trust for United States federal income tax purposes. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 14.8 Successors and Assigns.

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed as of the day and year first above written.

UAL CORPORATION,
as Sponsor

By: /s/ Douglas A. Hacker
Name: Douglas A. Hacker
Title: Senior Vice President and Chief Financial Officer

/s/ Douglas A. Hacker
Douglas A. Hacker,
as Trustee

/s/ Francesca M. Maher
Francesca M. Maher,
as Trustee

/s/ Thomas A. Mutryn
Thomas A. Mutryn,
as Trustee

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By: /s/ Richard D. Manella
Name: Richard D. Manella
Title: Vice President

FIRST CHICAGO DELAWARE INC.,
as Trustee

By: /s/ Richard D. Manella
Name: Richard D. Manella
Title: Vice President

There personally appeared before me Douglas A. Hacker (on behalf of UAL Corporation, as Sponsor, and as a Trustee) and Francesca M. Maher and Thomas A. Mutryn (as Trustees) who acknowledged the foregoing instrument to be his, her or its free act and deed and the free act and deed of UAL Corporation and the Trustees of UAL Corporation Capital Trust I.

Before me,

/s/ Jeanne M. Rajala
Notary Public

My Commission Expires: 6-26-99

There personally appeared before me Richard D. Manella (on behalf of The First National Bank of Chicago, as Trustee) who acknowledged the foregoing instrument to be his, her or its free act and deed and the free act and deed of The First National Bank of Chicago, as Trustee.

Before me,

/s/ Ann Longino
Notary Public

My Commission Expires: 5-17-98

There personally appeared before me Richard D. Manella (on behalf of First Chicago Delaware Inc., as Trustee) who acknowledged the foregoing instrument to be his, her or its free act and deed and the free act and deed of First Chicago Delaware Inc., as Trustee.

Before me,

/s/ Ann Longino
Notary Public

My Commission Expires: 5-17-98

EXHIBIT A

CERTIFICATE OF TRUST

OF

UAL CORPORATION CAPITAL TRUST I

This Certificate of Trust of UAL Corporation Capital Trust I (the "Trust"), dated October 15, 1996, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del.C. Sec. 3801 et seq.).

1. Name. The name of the business trust formed hereby is UAL Corporation Capital Trust I.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are First Chicago Delaware Inc., a Delaware corporation, 300 King Street, Wilmington, Delaware 19801.

3. Effective Date. This Certificate of Trust shall be effective as of its filing.

IN WITNESS WHEREOF, the undersigned, being the trustees of the Trust at the time of filing this Certificate of Trust, have executed this Certificate of Trust as of the date first above written.

The First National Bank of Chicago, as trustee

By: /s/ Richard D. Manella

Name: Richard D. Manella

Title: Vice President

First Chicago Delaware Inc., as trustee

By: /s/ Steven M. Wagner

Name: Steven M. Wagner

Title: Vice President

EXHIBIT B

TERMS OF

PREFERRED SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996 (as amended from time to time, the "Declaration"), the designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth below (each capitalized term used but not defined herein having the meaning set forth in the Declaration):

1. Designation and Number. Preferred Securities of the Trust with an aggregate liquidation amount in the assets of the Trust of _____ (_____) and a liquidation amount in the assets of the Trust of \$25 per Preferred Security, are hereby designated as "13 1/4% Trust Originated Preferred Securities." The Preferred Security Certificates evidencing the Preferred Securities shall be substantially in the form attached hereto as Annex I, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Preferred Securities are listed. The Preferred Securities shall be issued to former holders of Depositary Shares ("Depositary Shares"), each representing 1/1,000 of a share of 12 1/4% Series B Preferred Stock (the "Series B Preferred"), of UAL Corporation ("UAL") in exchange for such Depositary Shares pursuant to the Offer. In connection with such Offer and the purchase by UAL of the Common Securities, UAL will deposit in the Trust, and the Trust will purchase, respectively, as trust assets Debentures of UAL having an aggregate principal amount equal to \$[_____], and bearing interest at an annual rate equal to the annual Distribution rate on the Preferred Securities and Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Preferred Securities and Common Securities.

2. Distributions. (a) Periodic distributions payable on each Preferred Security will be fixed at a rate per annum of 13 1/4% (the "Coupon Rate") of the stated liquidation amount of \$25 per Preferred Security. Distributions in arrears will bear interest at the rate per annum of 13 1/4% thereof, compounded quarterly, to the extent permitted by law. The term "Distributions" as used in these terms means such periodic cash distributions and any such interest payable unless otherwise stated. A Distribution will be made by the Institutional Trustee only to the extent that interest payments are made in respect of the Debentures held by the Trust. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed in such a 30-day month.

(b) Distributions on the Preferred Securities will be cumulative, will accrue from December 21, 1996 and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on December 31, 1996, and at final maturity of the Debentures, except as otherwise described below, but only if and to the extent that interest payments are made in respect of the Debentures held by the Trust. In addition, Holders of Preferred Securities will be entitled to a cash distribution at the rate of 12-1/4% per annum of the liquidation amount thereof from November 1, 1996 through

December 31, 1996, payable on December 31, 1996 ("Pre-Issuance Interest"). With the exception of Pre-Issuance Interest, so long as UAL shall not be in default in the payment of interest on the Debentures, UAL has the right under the Indenture for the Debentures to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each, an "Extension Period") and, as a consequence, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the rate of 13 1/4% per annum, compounded quarterly to the extent permitted by law during any such Extension Period. Prior to the termination of any such Extension Period, UAL may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods and provided further that no Extension Period may extend beyond the maturity of the Debentures. Upon the termination of any Extension Period and the payment on the next distribution payment date following such extension period of all amounts then due, UAL may commence a new Extension Period, subject to the above requirements. Any interest paid on the Debentures during an Extension Period on an Interest Payment Date shall be paid pro rata to the Holders of Preferred Securities on the corresponding distribution payment date. Payments of accrued Distributions will be payable to Holders of Preferred Securities as they appear on the books and records of the Trust on the record date for the first payment occurring on or after the end of the Extension Period.

(c) Distributions on the Preferred Securities will be payable promptly by the Institutional Trustee (or other Paying Agent) upon receipt of immediately available funds to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be 15 calendar days prior to the relevant Distribution dates, except that the record date for the payment to be made on December 31, 1996 shall be the date of exchange of the Preferred Securities for the Depository Shares, which record and payment dates correspond to the record and interest payment dates on the Debentures. Distributions payable on any Preferred Securities that are not punctually paid on any Distribution payment date as a result of UAL having failed to make the corresponding interest payment on the Debentures will forthwith cease to be payable to the Person in whose name such Preferred Security is registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Preferred Security is registered on the special record date established by the Regular Trustees, which record date shall correspond to the special record date or other specified date determined in accordance with the Indenture; provided, however, that Distributions shall not be considered payable on any Distribution payment date falling within an Extension Period unless UAL has elected to make a full or partial payment of interest accrued on the Debentures on such Distribution payment date. Subject to any applicable laws and regulations and the provisions of the Declaration, each payment in respect of the Preferred Securities will be made as described in paragraph 9 hereof. If any date on which Distributions are payable on the Preferred Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) All Distributions paid with respect to the Preferred Securities and the Common Securities will be paid Pro Rata (as defined herein) to the Holders thereof entitled thereto. If an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to Distributions.

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for under the Declaration, such money or property shall be distributed Pro Rata among the Holders of the Preferred Securities and Common Securities.

3. Liquidation Distribution Upon Dissolution. In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Preferred Securities and Common Securities at the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive Pro Rata, solely out of the assets of the Trust available for distribution to Holders of Preferred Securities and Common Securities after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation amount of \$25 per Preferred Security and Common Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, and after satisfaction of liabilities to creditors, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Preferred Securities and Common Securities and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on such Preferred Securities and Common Securities shall be distributed Pro Rata to the Holders of the Preferred Securities and Common Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Preferred Securities and Common Securities shall be paid on a Pro Rata basis, except that, if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to such Liquidation Distribution.

4. Redemption and Distribution of Debentures. The Preferred Securities and Common Securities may only be redeemed if Debentures having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and Common Securities are repaid, redeemed or distributed as set forth below:

(a) Upon the repayment of the Debentures, in whole or in part, whether at maturity, or upon redemption at any time or from time to time on or after July 12, 2004, the proceeds of such repayment will be promptly applied to redeem Pro Rata Preferred Securities and Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed, upon not less than 10 nor more than 60 days' notice, at a redemption price of \$25 per Preferred and Common Security plus an amount equal to accrued and unpaid Distributions thereon to the date of redemption, payable in cash (the "Redemption Price"). The date of any such repayment or redemption of Preferred Securities and Common Securities shall be established to coincide with the repayment or redemption date of the Debentures.

(b) The Common Securities will be entitled to be redeemed on a Pro Rata basis with the Preferred Securities, except that if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to the payment of the Redemption Price. If fewer than all the outstanding Preferred Securities and Common Securities are to be so redeemed, the Preferred Securities and the Common Securities will be redeemed Pro Rata and the Preferred Securities to be redeemed will be redeemed as described in paragraph 4(f)(ii) below. If a partial redemption would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed, UAL pursuant to the Indenture will only redeem Debentures in whole and, as a result, the Trust may only redeem the Preferred Securities in whole.

(c) If, at any time, a Tax Event or an Investment Company Event (each as hereinafter defined, and each a "Special Event") shall occur and be continuing, the Regular Trustees shall, unless the Debentures are redeemed in the limited circumstances described below, dissolve the Trust and, after satisfaction of creditors, cause Debentures held by the Institutional Trustee having an aggregate principal amount equal to the aggregate stated liquidation amount of and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as, the Preferred Securities and Common Securities, to be distributed to the Holders of the Preferred Securities and Common Securities on a Pro Rata basis in liquidation of such Holders' interests in the Trust, within 90 days following the occurrence of such Special Event (the "90 Day Period"), provided, however, that in the case of the occurrence of a Tax Event, as a condition of such dissolution and distribution, the Regular Trustees shall have received an opinion (a "No Recognition Opinion") of a nationally recognized independent tax counsel experienced in such matters, which opinion may rely on any then applicable published revenue ruling of the Internal Revenue Service, to the effect that the Holders of the Preferred Securities will not recognize any gain or loss for United States federal income tax purposes as a result of the dissolution of the Trust and distribution of Debentures; and provided, further, that, if and as long as at the time there is available to the Trust the opportunity to eliminate, within the 90 Day Period, the Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, UAL, or the Holders of the Preferred Securities ("Ministerial Action"), the Trust will pursue such measure in lieu of dissolution.

If, in the case of the occurrence of a Tax Event, (i) the Regular Trustees have received an opinion (a "Redemption Tax Opinion") of nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that UAL would be precluded from deducting the interest on the Debentures for United States federal income tax purposes even if the Debentures were distributed to the Holders of Preferred Securities and Common Securities in liquidation of such Holder's interest in the Trust as described in this paragraph 4(c) or (ii) the Regular Trustees shall have been informed by such tax counsel that a No Recognition Opinion cannot be delivered to the Trust, UAL shall have the right at any time, upon not less than 10 nor more than 60 days notice, to redeem the Debentures in whole or in part for cash at the Redemption Price within 90 days following the occurrence of such Tax Event, and promptly following such redemption Preferred Securities and Common Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed will be redeemed by the Trust at the Redemption Price on a Pro Rata basis; provided, however, that, if at the time there is available to UAL or the Regular Trustees on behalf of the Trust the opportunity to eliminate, within such 90 day period, the Tax Event by taking some Ministerial Action, UAL or the Regular Trustees on behalf of the Trust will pursue such measure in lieu of redemption, and provided further that UAL shall have no right to redeem the Debentures while the Regular Trustees on behalf of the Trust are pursuing such Ministerial Action. The Common Securities will be redeemed Pro Rata with the Preferred Securities, except that, if an Event of Default under the Indenture has occurred and is continuing, the Preferred Securities will have a priority over the Common Securities with respect to payment of the Redemption Price.

"Tax Event" means that the Regular Trustees shall have obtained an opinion (a "Dissolution Tax Opinion") of nationally recognized independent tax counsel experienced in such matters to the effect that on or after the Expiration Date as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after the Expiration Date, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by UAL to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible by UAL for United States federal income tax purposes.

"Investment Company Event" means that the Regular Trustees shall have received an opinion of nationally recognized independent counsel experienced in practice under the Investment Company Act that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority or of the staff of such governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the Expiration Date.

On the date fixed for any distribution of Debentures, upon dissolution of the Trust, (i) the Preferred Securities will no longer be deemed to be outstanding and (ii) certificates representing Preferred Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid interest equal to accrued and unpaid Distributions on, such Preferred Securities until such certificates are presented to UAL or its agent for transfer or reissuance.

(d) The Trust may not redeem fewer than all the outstanding Preferred Securities unless all accrued and unpaid Distributions have been paid on all Preferred Securities for all quarterly Distribution periods terminating on or prior to the date of redemption.

(e) If Debentures are distributed to Holders of the Preferred Securities, UAL, pursuant to the terms of the Indenture, will use its best efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Preferred Securities were listed immediately prior to the distribution of the Debentures.

(f) (i) Notice of any redemption of, or notice of distribution of Debentures in exchange for, the Preferred Securities and Common Securities (a "Redemption/Distribution Notice") will be given by the Regular Trustees on behalf of the Trust by mail to each Holder of Preferred Securities and Common Securities to be redeemed or exchanged not less than 10 nor more than 60 days prior to the date fixed for redemption or exchange thereof. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this paragraph (f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first class mail, postage prepaid, to Holders of Preferred Securities and Common Securities. Each Redemption/ Distribution Notice shall be addressed to the Holders of Preferred Securities and Common Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Preferred Securities are to be redeemed (subject to adjustment to eliminate fractional

Preferred Securities), the Preferred Securities to be redeemed will be redeemed Pro Rata from each Holder of Preferred Securities, it being understood that, in respect of Preferred Securities registered in the name of and held of record by DTC (or successor Clearing Agency) or any other nominee, the distribution of the proceeds of such redemption will be made to each Clearing Agency Participant (or Person on whose behalf such nominee holds such securities) in accordance with the procedures applied by such agency or nominee.

(iii) If the Trust gives a Redemption/Distribution Notice in respect of a redemption of Preferred Securities as provided in this paragraph 4 (which notice will be irrevocable) then, immediately prior to the close of business on the redemption date, provided that UAL has paid to the Trust in immediately available funds a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, Distributions will cease to accrue on the Preferred Securities called for redemption, such Preferred Securities will no longer be deemed to be outstanding and all rights of Holders of such Preferred Securities so called for redemption will cease, except the right of the Holders of such Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Preferred Securities which have been so called for redemption. If any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Trust or by UAL pursuant to the Preferred Guarantee, Distributions on such Preferred Securities will continue to accrue, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to the Holders of the Preferred Securities.

(v) Upon the date of dissolution of the Trust and distribution of Debentures as a result of the occurrence of a Special Event, Preferred Security Certificates shall be deemed to represent beneficial interests in the Debentures so distributed, and the Preferred Securities will no longer be deemed outstanding and may be canceled by the Regular Trustees. The Debentures so distributed shall have an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities so distributed.

(vi) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), UAL or any of its subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

5. Voting Rights. (a) Except as provided under paragraph 5(b) below and as otherwise required by law and the Declaration, the Holders of the Preferred Securities will have no voting rights.

(b) If any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than in accordance with the terms of the Declaration, then the Holders of outstanding Securities will be entitled to vote on such amendment or proposal as a class and such amendment or proposal shall not be effective except with the approval of the Holders of Securities representing a Majority in liquidation amount of such Securities; provided, however, (A) if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities and (B) amendments to the Declaration shall be subject to such further requirements as are set forth in Sections 12.1 and 12.2 of the Declaration.

In the event the consent of the Institutional Trustee, as the holder of the Debentures, is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Institutional Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination. The Institutional Trustee shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class (and, in the case of any other UAL Corporation Capital Trust holding debt securities issued under the Indenture, voting with the holders of securities of such other UAL Corporation Capital Trust); provided that where such amendment, modification or termination of the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Institutional Trustee may only vote with respect to that amendment, modification or termination as directed by, in the case of clause (1) above, the vote of Holders of Securities representing such specified percentage of the aggregate liquidation amount of the Securities, or, in the case of clause (2) above, each Holder of Securities; and provided, further, that the Institutional Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of Securities unless the Institutional Trustee shall have received, at the expense of the Sponsor, an opinion of nationally recognized independent tax counsel recognized as expert in such matters to the effect that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or a partnership on account of such action and will be treated as a grantor trust for United States federal income tax purposes following such action.

Subject to Section 2.6 of the Declaration, and the provisions of this and the next two succeeding paragraphs, the Holders of a Majority in liquidation amount of the Preferred Securities, voting separately as a class, shall have the right to (A) on behalf of all Holders of Preferred Securities, waive any past default, and its consequences, that is waivable under the Declaration (subject to, and in accordance with, the Declaration) and (B) direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as the holder of the Debentures (and, in the case of any other UAL Corporation Capital Trust holding debt securities issued under the Indenture, voting with the holders of preferred securities of such other UAL Corporation Capital Trust), to (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 5.7 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable; provided that where the taking of any action under the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Institutional Trustee may only take such action if directed by, in the case of clause (1) above, the vote of Holders of Preferred Securities representing such specified percentage of the aggregate liquidation amount of the Preferred Securities, or, in the case of clause (2) above, each Holder of Preferred Securities. The Institutional Trustee shall not revoke, or take any action inconsistent with, any action previously authorized or approved by a vote of the Holders of the Preferred Securities.

Other than with respect to directing the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall be under no obligation to take any of the foregoing actions at the direction of the Holders of Preferred Securities unless the Institutional Trustee shall have received, at the expense of the Sponsor, an opinion of nationally recognized independent tax counsel recognized as expert in such matters to the effect that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or a partnership on account of such action and will be treated as a grantor trust for United States federal income tax purposes following such action. If the Institutional Trustee fails to enforce its rights under the Declaration (including, without limitation, its rights, powers and privileges as a holder of the Debentures under the Indenture) to the fullest extent permitted by law, any Holder of Preferred Securities may, upon such Holder's written request to the Institutional Trustee to enforce such rights, institute a legal proceeding directly against UAL to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person; provided that if an Event of Default is attributable to the failure of UAL to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, the redemption date), then a Holder of Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Preferred Securities of such Holder without first (i) directing the Institutional Trustee to enforce the terms of the Debentures or (ii) instituting a legal proceeding against UAL to enforce the Institutional Trustee's rights under the Debentures.

A waiver of an Indenture Event of Default by the Institutional Trustee at the direction of the Holders of the Preferred Securities will constitute a waiver of the corresponding Event of Default under the Declaration in respect of the Securities.

Any required approval or direction of Holders of Preferred Securities may be given at a separate meeting of Holders of Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities of the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of Preferred Securities will be required for the Trust to redeem and cancel Preferred Securities or distribute Debentures in accordance with the Declaration.

Notwithstanding that Holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities at such time that are owned by UAL or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with UAL shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Holders of the Preferred Securities will have no rights to increase or decrease the number of Trustees or to appoint, remove or replace a Trustee, which voting rights are vested solely in the Holders of the Common Securities.

6. Pro Rata Treatment. A reference in these terms of the Preferred Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Preferred Securities pro rata according to the aggregate liquidation amount of Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

7. Ranking. The Preferred Securities rank *pari passu* and payment thereon will be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing, the rights of Holders of Preferred Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise rank in priority to the rights of Holders of the Common Securities.

8. Mergers, Consolidations or Amalgamations.

(a) The Trust may not consolidate, amalgamate or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any Person, except as described in Sections 3 and 8(b) and (c).

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Securities, the Delaware Trustee or the Institutional Trustee, consolidate, amalgamate or merge with or into, or be replaced by, a trust organized as such under the laws of any State; provided that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Preferred Securities; or

(B) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Preferred Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;

(ii) the Sponsor expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the holder of the Debentures;

(iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Preferred Securities are then listed or quoted;

(iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Preferred Securities as a result of such merger, consolidation, amalgamation or replacement);

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) such merger, consolidation, amalgamation or replacement does not vary the investment of the Holders of the Preferred Securities within the meaning of Treasury Regulation Section 301.7701-4(c)(1), e.g., does not substitute other assets for assets of the Trust to which the Preferred Securities relate or add assets to the Trust to which the Preferred Securities relate;

(viii) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes; and

(ix) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Preferred Guarantee.

9. Transfer, Exchange, Method of Payments. Payment of Distributions and payments on redemption of the Preferred Securities will be payable, the transfer of the Preferred Securities will be registrable, and Preferred Securities will be exchangeable for Preferred Securities of other denominations of a like aggregate liquidation amount, at the principal corporate trust office of the Institutional Trustee in the City of New York; provided that payment of Distributions may be made at the option of the Regular Trustees on behalf of the Trust by check mailed to the address of the Persons entitled thereto and that the payment on redemption of any Preferred Security will be made only upon surrender of such Preferred Security to the Institutional Trustee.

10. Acceptance of Indenture and Preferred Guarantee. Each Holder of Preferred Securities, by the acceptance thereof, agrees to the provisions of (i) the Preferred Guarantee, including the subordination provisions therein, and (ii) the Indenture and the Debentures, including the subordination provisions of the Indenture.

11. No Preemptive Rights. The Holders of Preferred Securities shall have no preemptive or similar rights to subscribe to any additional Preferred Securities or Common Securities.

12. Miscellaneous. These terms shall constitute a part of the Declaration. The Trust will provide a copy of the Declaration and the Indenture to a Holder without charge on written request to the Trust at its principal place of business.

Annex I

Certificate Number Number of Preferred Securities

B- _____

CUSIP NO. 90254Y 20 8

Certificate Evidencing Preferred Securities

of

UAL Corporation Capital Trust I
13 1/4% Trust Originated Preferred Securities
(liquidation amount \$25 per Preferred Security)

UAL Corporation Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that _____ (the "Holder") is the registered owner of _____ (_____) preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the 13 1/4% Trust Originated Preferred Securities (liquidation amount \$25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth in, and this certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and

provisions of, the Amended and Restated Declaration of Trust of the Trust dated as of December 30, 1996, as the same may be amended from time to time (the "Declaration") including the designation of the terms of Preferred Securities as set forth in Exhibit B thereto. The Preferred Securities and the Common Securities issued by the Trust pursuant to the Declaration represent undivided beneficial interests in the assets of the Trust, including the Debentures (as defined in the Declaration) issued by UAL Corporation, a Delaware corporation ("UAL"), to the Trust pursuant to the Indenture referred to in the Declaration. The Holder is entitled to the benefits of the Guarantee Agreement of UAL dated as of December 30, 1996, as the same may be amended from time to time (the "Guarantee"), to the extent provided therein. The Trust will furnish a copy of the Declaration, the Guarantee and the Indenture to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

The Holder of this Certificate, by accepting this Certificate, is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all Senior Indebtedness (as defined in the Indenture) as and to the extent provided in the Indenture and (ii) agreed to the terms of the Guarantee, including that the Guarantee is subordinate and junior in right of payment to all other liabilities of UAL, including the Debentures, except those made pari passu or subordinate by their terms, and senior to all capital stock now or hereafter issued by UAL and to any guarantee now or hereafter entered into by UAL in respect of any of its capital stock.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, Trustees of the Trust have executed this Certificate as of _____.

UAL CORPORATION CAPITAL TRUST I

By: _____

Name: Douglas A. Hacker

Title: Trustee

By: _____

Name: Francesca M. Maher

Title: Trustee

Countersigned and Registered:

THE FIRST NATIONAL BANK OF CHICAGO, as

Transfer Agent and Registrar

By: _____

Authorized Signature

The Trust will furnish without charge to any registered owner of Preferred Securities who so requests, copies of the Declaration, the Guarantee and the Indenture. Any such request should be addressed to UAL Corporation Capital Trust I, c/o Secretary, UAL Corporation, 1200 East Algonquin Road, Elk Grove Township, Illinois 60007 or to the Registrar named on the face of this Certificate.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT -- under Uniform Gifts to Minors Act and not as tenants TENENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survival

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

(Please insert social security or other identifying number of assignee)

(Insert address and zip code of assignee)

the within Certificate and all rights and interests represented by the Preferred Securities evidenced thereby, and hereby irrevocably constitutes and appoints _____

_____ attorney to transfer the said Preferred Securities on the books of the within-named Trust with full power of substitution in the premises.

Dated: _____

Signature: _____

Note: The signature(s) to this assignment must correspond with the name(s) as written upon the face of this certificate in every particular, without alteration or enlargement, or any change whatever.

NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in a "signature guarantee program" (i.e., the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program).

EXHIBIT C

TERMS OF COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust of UAL Corporation Capital Trust I dated as of December 30, 1996 (as amended from time to time, the "Declaration"), the designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth below (each capitalized term used but not defined herein having the meaning set forth in the Declaration):

1. Designation and Number. Common Securities of the Trust with an aggregate liquidation amount in the assets of the Trust of _____ (_____) and a liquidation amount in the assets of the Trust of \$25 per Common Security, are hereby designated as "13 1/4% Trust Originated Common Securities." The Common Security Certificates evidencing the Common Securities shall be substantially in the form attached hereto as Annex I, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice. The Common Securities are to be issued and sold to UAL Corporation ("UAL") in consideration of \$[_____] in cash. In connection with the Offer and the purchase by UAL of the Common Securities, UAL will deposit in the Trust, and the Trust will purchase, respectively, as trust assets Debentures of UAL having an aggregate principal amount equal to \$[_____] and bearing interest at an annual rate equal to the annual Distribution rate on the Preferred Securities and Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Preferred Securities and Common Securities.

2. Distributions. (a) Periodic distributions payable on each Common Security will be fixed at a rate per annum of 13 1/4% (the "Coupon Rate") of the stated liquidation amount of \$25 per Common Security. Distributions in arrears for more than one quarter will bear interest at the rate per annum of 13 1/4% thereof (to the extent permitted by applicable law), compounded quarterly, to the extent permitted by law. The term "Distributions" as used in these terms means such periodic cash distributions and any such interest payable unless otherwise stated. A Distribution will be made by the Institutional Trustee only to the extent that interest payments are made in respect of the Debentures held by the Trust. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed in such a 30-day month.

(b) Distributions on the Common Securities will be cumulative, will accrue from December 21, 1996 and will be payable quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on December 31, 1996, and at final maturity of the Debentures, except as otherwise described below, but only if and to the extent that interest payments are made in respect of the Debentures held by the Trust. In addition, Holders of Common Securities will be entitled to a cash distribution at the rate of 12-1/4% per annum of the liquidation amount thereof from November 1, 1996 through December 20, 1996, payable on December 31, 1996 ("Pre-Issuance Interest"). With the exception of Pre-Issuance Interest, so long as UAL shall not be in default in the payment of interest on the Debentures, UAL has the right under the Indenture for the Debentures to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarterly interest periods (each, an "Extension Period") and, as a consequence, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the rate of 13 1/4% per annum, compounded quarterly to the extent permitted by law during any such Extension Period. Prior to the termination of any such Extension Period, UAL may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarterly interest periods and provided further that no Extension Period may extend beyond the maturity of the Debentures. Upon the termination of any Extension Period and the payment on the next distribution payment date following such Extension Period of all amounts then due, UAL may commence a new Extension Period, subject to the above requirements. Any interest paid on the Debentures during an Extension Period on an Interest Payment Date shall be paid pro rata to the Holders of Preferred Securities on the corresponding distribution payment date. Payments of accrued Distributions will be payable to Holders of Common Securities as they appear on the books and records of the Trust on the record date for the first payment occurring on or after the end of the Extension Period.

(c) Distributions on the Common Securities will be payable promptly by the Institutional Trustee (or other Paying Agent) upon receipt of immediately available funds to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be 15 calendar days prior to the relevant Distribution dates except that the record date for the payment to be made on December 31, 1996 shall be the date of exchange of the Common Securities for the Depository Shares, which record and payment dates correspond to the record and interest payment dates on the Debentures. Distributions payable on any Common Securities that are not punctually paid on any Distribution payment date as a result of UAL having failed to make the corresponding interest payment on the Debentures will forthwith cease to be payable to the Person in whose name such Common Security is registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Common Security is registered on the special record date established by the Regular Trustees, which record date shall correspond to the special record date or other specified date determined in accordance with the Indenture; provided, however, that Distributions shall not be considered payable on any Distribution payment date falling within an Extension Period unless UAL has elected to make a full or partial payment of interest accrued on the Debentures on such Distribution payment date. Subject to any applicable laws and regulations and the provisions of the Declaration, each payment in respect of the Common Securities will be made as described in paragraph 9 hereof. If any date on which Distributions are payable on the Common Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such

Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) All Distributions paid with respect to the Common Securities and the Preferred Securities will be paid Pro Rata (as defined herein) to the Holders thereof entitled thereto. If an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to Distributions

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for under the Declaration, such money or property shall be distributed Pro Rata among the Holders of the Preferred Securities and Common Securities.

3. Liquidation Distribution Upon Dissolution. In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Preferred Securities and Common Securities at the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive Pro Rata, solely out of the assets of the Trust available for distribution to Holders of Preferred Securities and Common Securities, after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation amount of \$25 per Preferred Security and Common Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, and after satisfaction of liabilities to creditors, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Preferred Securities and Common Securities bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on such Preferred Securities and Common Securities shall be distributed Pro Rata to the Holders of the Preferred Securities and Common Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Preferred Securities and Common Securities shall be paid on a Pro Rata basis, except that, if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to such Liquidation Distribution.

4. Redemption and Distribution of Debentures. The Preferred Securities and Common Securities may only be redeemed if Debentures having an aggregate principal amount equal to the aggregate liquidation amount of the Preferred Securities and Common Securities are repaid, redeemed or distributed as set forth below:

(a) Upon the repayment of the Debentures, in whole or in part, whether at maturity, or upon redemption at any time or from time to time on or after July 12, 2004, the proceeds of such repayment will be promptly applied to redeem Pro Rata Preferred Securities and Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed, upon not less than 10 nor more than 60 days' notice, at a redemption price of \$25 per Preferred and Common Security plus an amount equal to accrued and unpaid Distributions thereon to the date of redemption, payable in cash (the "Redemption Price"). The date of any such repayment or redemption of Preferred Securities and Common Securities shall be established to coincide with the repayment or redemption date of the Debentures.

(b) The Common Securities will be entitled to be redeemed on a Pro Rata basis with the Preferred Securities, except that, if an Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities with respect to the payment of the Redemption Price. If fewer than all the outstanding Preferred Securities and Common Securities are to be so redeemed, the Preferred Securities and the Common Securities will be redeemed Pro Rata and the Common Securities to be redeemed will be redeemed as described in paragraph 4(e)(ii) below. If a partial redemption would result in the delisting of the Preferred Securities by any national securities exchange or other organization on which the Preferred Securities are then listed, UAL pursuant to the Indenture will only redeem Debentures in whole and, as a result, the Trust may only redeem the Common Securities in whole.

(c) If, at any time, a Tax Event or an Investment Company Event (each as hereinafter defined, and each a "Special Event") shall occur and be continuing, the Regular Trustees shall, unless the Debentures are redeemed in the limited circumstances described below, dissolve the Trust and, after satisfaction of creditors, cause Debentures held by the Institutional Trustee having an aggregate principal amount equal to the aggregate stated liquidation amount of and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as, the Preferred Securities and Common Securities, to be distributed to the Holders of the Preferred Securities and Common Securities on a Pro Rata basis in liquidation of such Holders' interests in the Trust, within 90 days following the occurrence of such Special Event (the "90 Day Period"), provided, however, that in the case of the occurrence of a Tax Event, as a condition of such dissolution and distribution, the Regular Trustees shall have received an opinion (a "No Recognition Opinion") of a nationally recognized independent tax counsel experienced in such matters, which opinion may rely on any then applicable published revenue rulings of the Internal Revenue Service, to the effect that the Holders of the Preferred Securities will not recognize any gain or loss for United States federal income tax purposes as a result of the dissolution of the Trust and distribution of Debentures; and provided, further, that, if and as long as at the time there is available to the Trust the opportunity to eliminate, within the 90 Day Period, the Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, UAL, or the Holders of the Preferred Securities ("Ministerial Action"), the Trust will pursue such measure in lieu of dissolution.

If, in the case of the occurrence of a Tax Event, (i) the Regular Trustees have received an opinion (a "Redemption Tax Opinion") of nationally recognized independent tax counsel experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that UAL would be precluded from deducting the interest on the Debentures for United States federal income tax purposes even if the Debentures were distributed to the Holders of Preferred Securities and Common Securities in liquidation of such Holder's interest in the Trust as described in this paragraph 4(c) or (ii) the Regular Trustees shall have been informed by such tax counsel that a No Recognition Opinion cannot be delivered to the Trust, UAL shall have the right at any time, upon not less than 10 nor more than 60 days notice, to redeem the Debentures in whole or in part for cash at the Redemption Price within 90 days following the occurrence of such Tax Event, and promptly following such redemption Preferred Securities and Common Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed will be redeemed by the Trust at the Redemption Price on a Pro Rata basis; provided, however, that, if at the time there is available to UAL or the Regular Trustees on behalf of the Trust the opportunity to eliminate, within such 90 day period, the Tax Event by taking some Ministerial Action, UAL or the Regular Trustees on behalf of the Trust will pursue such measure in lieu of redemption, and provided further that UAL shall have no right to redeem the Debentures while the Regular Trustees on behalf of the Trust are pursuing such Ministerial Action. The Common Securities will be redeemed Pro Rata with the Preferred Securities, except that if an Event of Default under the Indenture has occurred

and is continuing, the Preferred Securities will have a priority over the Common Securities with respect to payment of the Redemption Price.

"Tax Event" means that the Regular Trustees shall have obtained an opinion (a "Dissolution Tax Opinion") of nationally recognized independent tax counsel experienced in such matters to the effect that on or after the Expiration Date as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any amendment to, or change in, an interpretation or application of any such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), (c) any interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (d) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated, issued or announced or which interpretation or pronouncement is issued or announced or which action is taken, in each case on or after the Expiration Date, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date thereof, subject to United States federal income tax with respect to income accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date thereof, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable by UAL to the Trust on the Debentures is not, or within 90 days of the date thereof will not be, deductible by UAL for United States federal income tax purposes.

"Investment Company Event" means that the Regular Trustees shall have received an opinion of nationally recognized independent counsel experienced in practice under the Investment Company Act that, as a result of the occurrence of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority or the staff of such governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an Investment Company which is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the Expiration Date.

On the date fixed for any distribution of Debentures, upon dissolution of the Trust, (i) the Common Securities will no longer be deemed to be outstanding and (ii) any certificates representing Common Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the stated liquidation amount of, and bearing accrued and unpaid interest equal to accrued and unpaid Distributions on, such Common Securities until such certificates are presented to UAL or its agent for transfer or reissuance.

(d) The Trust may not redeem fewer than all the outstanding Common Securities unless all accrued and unpaid Distributions have been paid on all Common Securities for all quarterly Distribution periods terminating on or prior to the date of redemption.

(e)(i) Notice of any redemption of, or notice of distribution of Debentures in exchange for, the Preferred Securities and Common Securities (a "Redemption/Distribution Notice") will be given by the Regular Trustees on behalf of the Trust by mail to each Holder of Preferred Securities and Common Securities to be redeemed or exchanged not less than 10 nor more than 60 days prior to the date fixed for redemption or exchange thereof. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this paragraph (e)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first class mail, postage prepaid, to Holders of Preferred Securities and Common Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Preferred Securities and Common Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Common Securities are to be redeemed, the Common Securities to be redeemed will be redeemed Pro Rata from each Holder of Common Securities (subject to adjustment to eliminate fractional Common Securities).

(iii) If the Trust gives a Redemption/Distribution Notice in respect of a redemption of Common Securities as provided in this paragraph 4 (which notice will be irrevocable), then, immediately prior to the close of business on the redemption date, provided that UAL has paid to the Trust in immediately available funds a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, Distributions will cease to accrue on the Common Securities called for redemption, such Common Securities will no longer be deemed to be outstanding and all rights of Holders of such Common Securities so called for redemption will cease, except the right of the Holders of such Common Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Common Securities which have been so called for redemption. If any date fixed for redemption of Common Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of Common Securities is improperly withheld or refused and not paid by the Trust, Distributions on such Common Securities will continue to accrue, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to the Holders of the Common Securities.

(v) Upon the date of dissolution of the Trust and distribution of Debentures as a result of the occurrence of a Special Event, Common Security Certificates shall be deemed to represent beneficial interests in the Debentures so distributed, and the Common Securities will no longer be deemed outstanding and may be canceled by the Regular Trustees. The Debentures so distributed shall have an aggregate principal amount equal to the aggregate liquidation amount of the Common Securities so distributed.

5. Voting Rights. (a) Except as provided under paragraph 5(b) below and as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.

(b) Holders of Common Securities have the sole right under the Declaration to increase or decrease the number of Trustees, and to appoint, remove or replace a Trustee, any such increase, decrease, appointment, removal or replacement to be approved by Holders of Common Securities representing a Majority in liquidation amount of the Common Securities.

If any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely

affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than in accordance with the terms of the Declaration, then the Holders of outstanding Securities will be entitled to vote on such amendment or proposal as a class and such amendment or proposal shall not be effective except with the approval of the Holders of Securities representing a Majority in liquidation amount of such Securities; provided, however, (A) if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities, (B) the rights of Holders of Common Securities under Article V of the Declaration to increase or decrease the number of, and to appoint, replace or remove, Trustees shall not be amended without the consent of each Holder of Common Securities, and (C) amendments to the Declaration shall be subject to such further requirements as are set forth in Sections 12.1 and 12.2 of the Declaration.

In the event the consent of the Institutional Trustee, as the holder of the Debentures, is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Institutional Trustee shall request the written direction of the Holders of the Securities with respect to such amendment, modification or termination. The Institutional Trustee shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class (and, in the case of any other UAL Corporation Capital Trust holding debt securities issued under the Indenture, voting with the holders of securities of such other UAL Corporation Capital Trust); provided that where such amendment, modification or termination of the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Institutional Trustee may only vote with respect to that amendment, modification or termination as directed by, in the case of clause (1) above, the vote of Holders of Securities representing such specified percentage of the aggregate liquidation amount of the Securities, or, in the case of clause (2) above, each Holder of Securities; and provided, further, that the Institutional Trustee shall be under no obligation to take any action in accordance with the directions of the Holders of the Securities unless the Institutional Trustee shall have received, at the expense of the Sponsor, an opinion of nationally recognized independent tax counsel recognized as an expert in such matters to the effect that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or a partnership on account of such action and will be treated as a grantor trust for United States federal income tax purposes following such action.

Subject to Section 2.6 of the Declaration, and the provisions of this and the next two succeeding paragraphs, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, shall have the right to (A) on behalf of all Holders of Common Securities, waive any past default, and its consequences, that is waivable under the Declaration (subject to, and in accordance with, the Declaration) and (B) direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures (and, in the case of any other UAL Corporation Capital Trust holding debt securities issued under the Indenture, voting with the holders of common securities of such other UAL Corporation Capital Trust), to (i) direct the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 5.7 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable; provided that where the taking of any action under the Indenture requires the consent or vote of (1) holders of Debentures representing a specified percentage greater than a majority in principal amount of the Debentures or (2) each holder of Debentures, the Institutional Trustee may only take such action if directed by, in the case of clause (1) above, the vote of Holders of Common Securities representing such specified percentage of the aggregate liquidation amount of the Common Securities, or, in the case of clause (2) above, each Holder of Common Securities. The Institutional Trustee shall not revoke, or take any action inconsistent with, any action previously authorized or approved by a vote of the Holders of the Preferred Securities, and shall not take any action in accordance with the direction of the Holders of the Common Securities under this paragraph if the action is prejudicial to the Holders of Preferred Securities.

Other than with respect to directing the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall be under no obligation to take any of the foregoing actions at the direction of the Holders of Common Securities unless the Institutional Trustee shall have received, at the expense of the Sponsor, an opinion of nationally recognized independent tax counsel recognized as expert in such matters to the effect that the Trust will not be classified for United States federal income tax purposes as an association taxable as a corporation or a partnership on account of such action and will be treated as a grantor trust for United States income tax purposes following such action.

Notwithstanding any other provision of these terms, each Holder of Common Securities will be deemed to have waived any Event of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Preferred Securities have been cured, waived by the Holders of Preferred Securities as provided in the Declaration or otherwise eliminated, and until all Events of Default with respect to the Preferred Securities have been so cured, waived by the Holders of Preferred Securities or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Institutional Trustee in accordance with the terms of the Declaration or of the Securities. In the event that any Event of Default with respect to the Preferred Securities is waived by the Holders of Preferred Securities as provided in the Declaration, the Holders of Common Securities agree that such waiver shall also constitute the waiver of such Event of Default with respect to the Common Securities for all purposes under the Declaration without any further act, vote or consent of the Holders of the Common Securities.

A waiver of an Indenture Event of Default by the Institutional Trustee at the direction of the Holders of the Preferred Securities will constitute a waiver of the corresponding Event of Default under the Declaration in respect of the Securities.

Any required approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities of the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of Common Securities will be required for the Trust to redeem and cancel Common Securities or distribute Debentures in accordance with the Declaration.

6. Pro Rata Treatment. A reference in these terms of the Common Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Preferred Securities pro rata according to the aggregate liquidation amount of Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

7. Ranking. The Common Securities rank pari passu and payment thereon will be made Pro Rata with the Preferred Securities except that, where an Event of Default occurs and is continuing, the rights of Holders of Common Securities to payment in respect of Distributions and payments upon liquidation, redemption or otherwise are subordinate to the rights of Holders of the Preferred Securities.

8. Mergers, Consolidations or Amalgamations.

(a) The Trust may not consolidate, amalgamate or merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any Person, except as described in Sections 3 and 8(b) and (c).

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Securities, the Delaware Trustee or the Institutional Trustee, consolidate, amalgamate or merge with or into, or be replaced by, a trust organized as such under the laws of any State; provided that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Preferred Securities; or

(B) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Preferred Securities rank with respect to Distributions and payments upon liquidation, redemption and otherwise;

(ii) the Sponsor expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the holder of the Debentures;

(iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Preferred Securities are then listed or quoted;

(iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Preferred Securities as a result of such merger, consolidation, amalgamation or replacement);

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) such merger, consolidation, amalgamation or replacement does not vary the investment of the Holders of the Preferred Securities within the meaning of Treasury Regulation Section 301.7701-4(c)(1), e.g., does not substitute other assets for assets of the Trust to which the Preferred Securities relate or add assets to the Trust to which the Preferred Securities relate;

(viii) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes; and

(ix) the Sponsor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Preferred Guarantee.

9. Transfer, Exchange, Method of Payments. Payment of Distributions and payments on redemption of the Common Securities will be payable, the transfer of the Common Securities will be registrable, and Common Securities will be exchangeable for Common Securities of other denominations of a like aggregate liquidation amount, at the principal corporate trust office of the Institutional Trustee in the City of New York; provided that payment of Distributions may be made at the option of the Regular Trustees on behalf of the Trust by check mailed to the address of the Persons entitled thereto and that the payment on redemption of any Common Security will be made only upon surrender of such Common Security to the Institutional Trustee. Notwithstanding the foregoing, transfers of Common Securities are subject to conditions set forth in Section 9.1(c) of the Declaration.

10. Acceptance of Indenture. Each Holder of Common Securities, by the acceptance thereof, agrees to the provisions of (i) the Common Guarantee, including the Subordination provisions thereof, and (ii) the Indenture and the Debentures, including the subordination provisions thereof.

No Preemptive Rights. The Holders of Common Securities shall have no preemptive or similar rights to subscribe to any additional Common Securities or Preferred Securities.

12. Miscellaneous. These terms shall constitute a part of the Declaration. The Trust will provide a copy of the Declaration and the Indenture to a Holder without charge on written request to the Trust at its principal place of business.

Annex I

TRANSFER OF THIS CERTIFICATE
IS SUBJECT TO THE CONDITIONS
SET FORTH IN THE DECLARATION
REFERRED TO BELOW

Certificate Number

Number of Common Securities

C-1

Certificate Evidencing Common Securities

of

UAL Corporation Capital Trust I

13 1/4% Trust Originated Common Securities

(liquidation amount \$25 per Common Security)

UAL Corporation Capital Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that UAL Corporation (the "Holder") is the registered owner of _____ (_____) common securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the 13 1/4% Trust Originated Common Securities (liquidation amount \$25 per Common Security) (the "Common Securities"). The Common Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer and satisfaction of the other conditions set forth in the Declaration (as defined below) including, without limitation, Section 9.1(c) thereof.

The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth in, and this certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Declaration of Trust of the Trust dated as of December 30, 1996, as the same may be amended from time to time (the "Declaration") including the designation of the terms of Common Securities as set forth in Exhibit C thereto. The Common Securities and the Preferred Securities issued by the Trust pursuant to the Declaration represent undivided beneficial interests in the assets of the Trust, including the Debentures (as defined in the Declaration) issued by UAL Corporation, a Delaware corporation ("UAL"), to the Trust pursuant to the Indenture referred to in the Declaration. The Holder is entitled to the benefits of the Common Securities Guarantee Agreement dated as of December 30, 1996, as the same may be amended from time to time (the "Common Guarantee"). The Trust will furnish a copy of the Declaration, the Guarantee and the Indenture to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

The Holder of this Certificate, by accepting this Certificate, is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all Senior Indebtedness (as defined in the Indenture) as and to the extent provided in the Indenture, and (ii) agreed to the terms of the Common Guarantee, including that the Common Guarantee is subordinate and junior in right of payment to all other liabilities of UAL including the Preferred Guarantee (as defined in the Declaration), to the extent stated therein, and the Debentures, except those made pari passu or subordinate by their terms, and senior to all capital stock now or hereafter issued by UAL and to any guarantee now or hereafter entered into by UAL in respect of any of its capital stock.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, Trustees of the Trust have executed this certificate as of _____.

UAL CORPORATION CAPITAL TRUST I

By: _____

Name: Douglas A. Hacker

Title: Trustee

By: _____

Name: Francesca M. Maher

Title: Trustee

Countersigned and Registered:

THE FIRST NATIONAL BANK OF CHICAGO, as

Transfer Agent and Registrar

By: _____

Authorized Signature

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfer this Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably constitutes and appoints _____

attorney to transfer this Common Security Certificate on the books of the within-named Trust with full power of substitution in the premises.

Dated: _____

Signature: _____

Note: The signature(s) to this assignment must correspond with the name(s) as written upon the face of this certificate in every particular, without alteration or enlargement, or any change whatever.

**AGREEMENT PURSUANT TO
SECTION 1.6(q) OF RECAPITALIZATION AGREEMENT**

WHEREAS, UAL Corporation, a Delaware Corporation (the "Company"), Air Line Pilots Association International ("ALPA") and International Association of Machinists and Aerospace Workers (the "IAM") are parties to an Amended and Restated Agreement and Plan of Recapitalization dated March 25, 1994 ("Recapitalization Agreement");

WHEREAS, the parties to the Recapitalization Agreement have recognized that due to increases in the price of the common stock of the Company, it is expected that the Class 1 ESOP Preferred Stock to be purchased by the Trustee in 1996 and subsequent years may, unless the number of such shares to be purchased are adjusted, cause allocations under the ESOP to be in an amount which would exceed the limitations of Internal Revenue Code ("Code") Section 415(c); and

WHEREAS, Section 1.6(q) of the Recapitalization Agreement provides that the parties agree to cooperate to modify the number of Class 1 ESOP Preferred Shares to be sold and to make appropriate conforming modifications to the related documents to avoid allocations in excess of the limitations of Code Section 415; and

WHEREAS, this agreement ("Agreement") is entered into pursuant to Section 1.6(q) of the Recapitalization Agreement.

NOW, THEREFORE, the Company, ALPA, and the IAM hereby agree as follows:

1. Unless otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the meaning set forth in the Recapitalization Agreement.
2. The parties hereto recognize that in order to satisfy the limitations of Code Section 415, it will likely be necessary to reduce the number of shares of ESOP Preferred purchased by the Trustee in 1996 and subsequent years. It is the intent of the parties to set forth in this Agreement a revised method of determining the number of shares of ESOP Preferred to be offered to the Trustee for purchase pursuant to Section 1.6(e) of the Recapitalization Agreement. It is the intent of the parties hereto that to the extent the number of shares of ESOP Preferred are reduced under this Agreement, there shall be a corresponding increase in the number of shares of Supplemental ESOP Preferred, with the result being that the sum of the ESOP Preferred and Supplemental ESOP Preferred, on both an annual and cumulative basis, will be unchanged by this Agreement.
3. The purchases of ESOP Preferred expected to be made by the ESOP Trustee in 1996, 1997, 1998, and 1999, shall be determined as if Section 1.6(e) of the Recapitalization Agreement provided as follows:

"(e) At or about July 12, 1996, and at or about the next three following anniversaries of July 12, 1996 (each of the four July 12 dates a "Measuring Date Anniversary"), the Company shall negotiate in good faith with the ESOP Trustee to reach an agreement under which the Company shall issue to the ESOP Trustee shares of ESOP Preferred at an agreed-upon price per share (for each applicable plan year, the "Purchase Price"). If such agreement is reached within 30 days of any Measuring Date Anniversary, then, within five days thereafter, the Company shall sell to the ESOP Trustee, and the ESOP Trustee shall purchase from the Company, pursuant to an agreement substantially in the form of Exhibit A to this Agreement, a number of shares of ESOP Preferred (with respect to each such year, the "Subsequent Shares"), which number of shares shall equal, for each such plan year, the Subsequent Year Release Shares (as defined) divided by the Subsequent Year Decimal (as defined).

(i) The term "Subsequent Year Release Shares" shall mean, for each such plan year, the excess of

(xx) the product of

(A) 12/69ths of the Final Number and

(B) the Revised Class 1 Decimal (as defined below) over

(yy) the number of Year 1 Remaining Shares and Subsequent Year Remaining Shares (as defined below) (collectively, "Tail Shares") scheduled to be released in such plan year.

(ii) The term "Subsequent Year Decimal" shall be calculated separately for each such plan year and shall mean one minus the product of

(yy) a fraction (expressed as a decimal) having a numerator equal to the Dollar Amount and a denominator equal to the Purchase Price for the plan year in question, and

(zz) the number of years and fractional years from the end of the plan year for which

such shares are being issued to March 31, 2000.

(iii) The term "Revised Class 1 Decimal" shall mean the factor (not to exceed .7815) which is determined by the Company no later than each Measuring Date Anniversary. The amount of the Revised Class 1 Decimal shall be the amount which is reasonably estimated to result in the number of Subsequent Year Release Shares which, when added to the Tail Shares scheduled to be released in such plan year, will maximize the Revised Class 1 Decimal consistent with (ww) satisfaction of the principles set forth in Section 1.6(l), (xx) achieving a high degree of certainty that the limits of Internal Revenue Code Section 415(c)(6) shall not be exceeded, (yy) avoiding an allocation of contributions which would cause all members of an Employee Group (as defined in the ESOP) to exceed the limits of Internal Revenue Code Section 415(c), and (zz) limiting the purchase of ESOP Preferred so that there can be allocated sufficient shares of Supplemental ESOP Preferred for each Employee Group to permit appropriate allocations in the Supplemental ESOP to individuals whose allocations in the ESOP reached the limit of Code Section 415(c). The Company and its advisors shall, prior to each Measuring Date Anniversary, present to the Committee (as defined in the ESOP) the calculation of the Revised Class 1 Decimal, and the Committee shall review such calculation to verify that the Revised Class 1 Decimal was calculated according to the methodology described above. It is the understanding of the parties hereto that in making the verification referred to in the preceding sentence, the members of the Committee are acting on behalf of the ALPA (in the case of the Committee members appointed by ALPA), the IAM (in the case of the Committee members appointed by the IAM) and the Company (in the case of the Committee member appointed by the Company), and are not acting as fiduciaries. In making such verification, the members of the Committee appointed by ALPA shall, acting as a group, cast a single vote, the members of the Committee appointed by the IAM shall, acting as a group, cast a single vote, and the member appointed by the Company shall cast a single vote. The calculation of the Revised Class 1 Decimal shall only be considered verified if all three of such votes are cast in favor of verification. If the Committee has not verified the calculation of the Revised Class 1 Decimal determined by the Company by a Measuring Date Anniversary, then the Revised Class 1 Decimal shall be determined pursuant to the provisions of this Agreement other than Section 1.6(e) (including Section 1.6(q), which generally contemplates that the Company, the IAM and ALPA will cooperate to modify the Class 1 Decimal). The parties agree that the result of the calculations described above for each plan year may be a range of values for the Revised Class 1 Decimal, including but not limited to a value to be applicable to each possible Purchase Price.

The Subsequent Year Release Shares for each such plan year shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants as of the end of such plan year; provided, however, that by the due date for each contribution by the Company to be used by the ESOP Trustee for loan repayment, the Company shall in consultation with its advisers, make a reasonable estimate of the maximum contribution which can be made to Part A of the ESOP (as defined in the ESOP) consistent with (www) satisfaction of the principles set forth in Section 1.6(l), (xxx) achieving a high degree of certainty that the limits of Internal Revenue Code Section 415(c)(6) shall not be exceeded, (yyy) avoiding an allocation of contributions which would cause all members of an Employee Group to exceed the limits of Internal Revenue Code Section 415(c), and (zzz) limiting the purchase of ESOP Preferred so that there can be allocated sufficient shares of Supplemental ESOP Preferred for each Employee Group to permit appropriate allocations in the Supplemental ESOP to individuals whose allocations in the ESOP reached the limit of Code Section 415(c). The estimate of the Company referred to in the preceding sentence shall not be made by reconsidering the principles set forth in clauses (www) through (zzz), but shall instead be made by using the same methodology which was used by the Company (and verified by the Committee) for the determination of the Revised Class 1 Decimal, and such methodology shall be applied by using such updated data as may be reasonably available to the Company prior to the determination of the contribution. The balance of the Subsequent Shares for such plan year (the "Subsequent Year Remaining Shares") shall be released from the ESOP suspense account and allocated to the accounts of ESOP participants in level installments for each full plan year (and prorated for the quarter ending March 31, 2000) remaining in the period from the January 1 immediately following such plan year through March 31, 2000. Notwithstanding the foregoing, if (aaa) pursuant to this paragraph, the Company's contribution was not sufficient to cause all Subsequent Year Release Shares to be released from the ESOP suspense account, or (bbb) the Company's contribution caused all members of an Employee Group to reach the limit under Internal Revenue Code Section 415(c), thus causing the creation of a suspense account under Treasury Regulation Section 1.415-6(b)(6)(iii), then the Subsequent Year Release Shares which were not allocated to the accounts of ESOP participants in the year such shares were purchased by the ESOP Trustee shall be considered Subsequent Year Remaining Shares and shall be allocated in the next following year.

For each of the third through sixth plan years of the Supplemental ESOP, there shall be credited to the accounts of Supplemental ESOP participants shares of Supplemental ESOP Preferred equal to the remainder of (aa) 12/69ths of the Final Number and (bb) the number of shares of ESOP Preferred allocated to the accounts of ESOP participants that year."

4. The parties agree that the Company shall adopt the fourth amendment to the ESOP and the fourth amendment to the Supplemental ESOP in substantially the form attached hereto as Exhibits B and C, and ALPA and the IAM hereby approve such amendments.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective authorized officers as of this 16th day of July, 1996.

UAL CORPORATION

By /s/ Douglas A. Hacker

Its Senior Vice President and

Chief Financial Officer

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By /s/ J. Randolph Babbitt

Its President

By /s/ Michael H. Glawe

Michael H. Glawe

MEC Chairman

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE WORKERS

By /s/ Kenneth W. Thiede

Its President and General Chairman

THIRD AMENDMENT
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1 (a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective January 1, 1995 (except as specified below).

1. The paragraph inserted by the Second Amendment to the Plan at the end of the material labelled "Part A" which precedes Section 1 is deleted and replaced with the following paragraph:

"For the Plan Years beginning on and after January 1, 1995, the foregoing percentages are amended to take into account the participation by the IAM Employee Group in allocations of Class 2 Non-Voting Preferred Stock under Part B and the Supplemental Plan. Accordingly, the shares of Class 1 Non-Voting Preferred Stock allocated on or after January 1, 1995, will be allocated ratably over the remaining Wage Investment Period, to the Employee Groups in accordance with the following revised percentages:

ALPA Employee Group - 32.234549%
IAM Employee Group - 47.036084%
Management and Salaried Employee Group - 20.729367%"

2. Section 1(p) is amended by adding the following to the end of the Section.

"With respect to a Participant who is a member of the ALPA Employee Group, Compensation shall not include amounts paid as a vacation buy-back at the book rate under the collective bargaining agreement applicable to members of the ALPA Employee Group. An amount included as "compensation," as defined in the Supplemental Plan, as a result of an election by the Employee to defer receipt of the amount, shall not be included as Compensation in the Plan Year in which the amount is actually paid to the Employee."

3. Section 1(dd) is amended by adding the following to the end of the Section:

"The requirement that an Employee be "non-probationary" to be a member of the IAM Employee Group shall not apply if the Employee (i) satisfies the other requirements of this subsection, and (ii) either (x) was previously a Participant before completing the probationary period, or (y) before completing the probationary period, completes (whether or not in a capacity represented by the IAM) either (I) a total of six months of consecutive service as an Employee, or (II) six months of service within a single Plan Year."

4. The following is added to the end of Section 2.3:

"A Participant who transfers from one Employee Group to another, and who is an Eligible Employee in the Employee Group to which the Participant transfers (ignoring any service requirement otherwise applicable to members of such Employee Group), shall become a Participant in the Employee Group to which the Participant transfers as of the date of transfer."

5. The material added by the Second Amendment to Section 5.4(a) (i) (A) is deleted and the following inserted in its place:

"For Class 1 Non-Voting Preferred Stock released for Plan Years beginning on or after January 1, 1995, the allocation percentage shall be as follows: ALPA Employee Group 32.234549%; IAM Employee Group - 47.036084% and Management and Salaried Employee Group - 20.729367%."

6. Section 5.4(c) is amended, for Plan Years beginning on or after January 1, 1995, by eliminating the following proviso:

"provided, however, that no allocations (other than allocations under clauses (i) and (viii) below) shall be made to Accounts of Participants who are members of the IAM Employee Group."

7. The material added to the end of Section 5.4 (c) by the Second Amendment is hereby deleted.

8. Section 7.11 is amended by adding the following to the end of the Section:

"Notwithstanding anything to the contrary contained herein, all payments under qualified domestic relations orders must be made as soon as administratively feasible following the determination of the qualified status of the order. Any domestic relations order under which payment cannot be made as set forth in the preceding sentence is considered to provide for a type or form of benefit not provided in the Plan and will not be recognized as a qualified domestic relations order."

9. The following new Section 11.13 is added to the Plan, effective as of July 12, 1994:

"11.13 Committee Alternates.

An individual acting as an alternate member of the ESOP Committee shall be considered a member of the ESOP Committee for all purposes of this Plan."

10. Paragraph (a) (2) of Appendix A, as added by the Second Amendment, is amended to read as follows:

"(2) Shares to be included in hypothetical share number and hypothetical allocation. The following number of shares is to be included in the hypothetical share number under Section 5.4(c) (ii) and Section 2.4 (a) of the Supplemental Plan as the Special Annual Allocation for each affected Participant: the sum of (i) the 1994 Shortfall Shares, plus (ii) \$8.8872 times the Participant's 1994 Shortfall Shares divided by the fair market value of a share of Class 1 Non-Voting Preferred Stock as of the end of the 1995 Plan Year."

11. Paragraph (b) (2) of Appendix A, as added by the Second Amendment, is amended by deleting the last sentence thereof.

12. Appendix A, as added by the Second Amendment, is amended by adding the following to the end of the Appendix:

"Other Special Annual Allocations. Prior to the end of any Plan Year (including the 1995 Plan Year), the Committee may adopt a Special Annual Allocation in addition to those set forth above. Such additional Special Annual Allocations may be adopted by the Committee if it determines that, as a result of missing data or a similar reason, a Participant's account was not allocated the number of shares the Committee determines to be appropriate according to the terms of the Plan. Such additional Special Annual Allocations shall be made according to the method set forth above for the Special Annual Allocation for 1995, using data applicable to the appropriate Plan Year(s). As is the case for the other Special Annual Allocations under this Appendix A, the hypothetical share number referred to in the Plan shall be calculated by taking into account such Special Annual Allocation, as explained in Section 5 .4(c) (ii) of the Plan."

IN WITNESS WHEREOF, the Company has caused this Third Amendment to be executed on December 28, 1995.

UAL CORPORATION

/s/ Douglas A. Hacker
Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt
J. Randolph Babbitt
President

/s/ Harlow B. Osteboe
Harlow B. Osteboe

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede
Kenneth W. Thiede

FOURTH AMENDMENT
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1 (a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective as of August 15, 1996 (except as specified below).

1. The following new paragraph is added immediately following the third paragraph of the material labelled "Transaction" which precedes Section 1:

"The parties to the Recapitalization Agreement have recognized that the value of the Common Stock has increased significantly since the effective date of the Plan. That increase is expected to result in an increase in the price at which the Trustee will acquire Class 1 Non-Voting Preferred Stock starting in 1996. As a result of the significant price increase and limitations imposed under the Internal Revenue Code, the parties to the Recapitalization Agreement anticipate that the portion of the underlying shares of Preferred Stock which will be available under Part A may be reduced from 78.15% starting in 1996, as contemplated by Section 1.6(q) of the Recapitalization Agreement. Any reduction in the Class 1 Non-Voting Preferred Stock under Part A for a Plan Year will be offset by a corresponding increase for that year in the shares of Preferred Stock under Part B and the Supplemental Plan."

2. The material labelled "Part A" which precedes Section 1 is amended by adding the following new paragraph to the end of such material:

"For the Plan Years beginning on and after January 1, 1996, the foregoing percentages will be adjusted as set forth in Section 5.4(a) (i) (A) to take into account the expected limitations on the amount of shares of Preferred Stock which can be delivered under Part A because of limitations under the Code. It is expected that such Code limitations will result in an overall reduction of the number of shares of Preferred Stock which can be delivered in Part A. It is also expected that the total number of shares to be delivered in Part A to the Management and Salaried Employee Group will be unchanged, that the total number of shares to be delivered in Part A to the IAM Employee Group will be reduced, and that the total number of shares to be delivered in Part A to the ALPA Employee Group may be reduced. The Company shall, pursuant to an agreement entered into pursuant to Section 1.6(q) of the Recapitalization Agreement among the Company and the unions representing the members of the ALPA and IAM Employee Groups, determine the number of shares which are expected to be delivered under Part A, determine the relevant percentages among the Employee Groups, and cause any reduction in the shares delivered under Part A to each Employee Group to be offset by a corresponding increase in the number of shares delivered under Part B and the Supplemental Plan to that Employee Group, so that the total number of shares delivered to each Employee Group will be unchanged."

3. Section 1(p) is amended by adding the following to the end of the Section, it being understood that the language set forth below is intended only as an explanation of the original intent of the Plan and not as a substantive change to the Plan, and is therefore effective July 12, 1994:

"Compensation shall not include amounts paid in an employee contest or drawing of any type."

4. The following is added after the first sentence of Section 3.1(a) (i):

For Plan Years 1996 through 1999 inclusive, the Company's contribution under Part A (and the corresponding principal payment due for the initial year of each Additional Acquisition Loan entered into for such years) shall be limited to the maximum contribution which the Company reasonably determines in consultation with its advisers can be made consistent with (w) satisfaction of the principles set forth in Section 1.6(1) of the Recapitalization Agreement, (x) achieving a high degree of certainty that the limits of Code Section 415(c) (6) shall not be exceeded, (y) avoiding an allocation which would be expected to cause all members of an Employee Group to exceed the limits of Code Section 415(c), and (z) limiting the release of shares of Class 1 Non-Voting Preferred Stock from the suspense accounts under the Acquisition Loans so that there are available for allocation that year sufficient shares of Class 2 Non-Voting Preferred Stock for each Employee Group to permit appropriate allocations in the Supplemental ESOP to individuals whose allocations reached the limit of Code Section 415(c). The Company's contribution shall be determined under the Agreement Pursuant to Section 1.6 (q) of the Recapitalization Agreement (the "1.6(q) Agreement") entered into by the Company, ALPA and the IAM, which provides that the amount of the contribution shall not be made by reconsidering the principles set forth in clauses (w) through (z), but shall instead be made by using the same methodology which was used by the Company (and verified by the Committee) for the determination of the Revised Class 1 Decimal under the 1.6 (q) Agreement, and that such methodology shall be applied by using such updated data as may be reasonably available to the Company prior to the determination of the contribution."

5. Section 5.4(a) (i) (A) is amended by adding the following to the end of the Section:

"For Class 1 Non-Voting Preferred Stock released for Plan Years beginning on or after January 1, 1996 and before January 1, 2000, the allocation percentage shall be determined by the Company as described below. There shall be determined the number of shares of Class 1 Non-Voting Preferred Stock available for allocation for the Plan Year, which is equal to the sum of (x) the number of shares of Class 1 Non-Voting Preferred Stock which will be released for the Plan Year on account of repayment of all Acquisition Loans and (y) the number of shares

held in the suspense account referred to in Section 5.5 (f) on account of excess contributions in the preceding Plan Year. The number of shares of Class 1 Non-Voting Preferred Stock to be allocated for the Plan Year on behalf of dividends paid on previously-allocated shares shall be determined for each Employee Group. The allocation percentage for the Management and Salaried Employee Group shall be the percentage which will result in a total allocation of 497,983.6564 shares of Class 1 Non-Voting Preferred Stock, including the shares to be allocated on account of dividends paid on previously-allocated shares. The percentage to be allocated to the members of the IAM Employee Group shall be the least of (xx) the percentage which would result in a total allocation to the IAM Employee Group of 1,129,952.550 shares of Class 1 Non-Voting Preferred Stock for such Plan Year, including shares to be allocated based upon dividends paid on previously-allocated shares, (yy) the percentage which is expected to result in the allocation of the sum of (i) the shares to be allocated based upon dividends paid on previously-allocated shares, plus (ii) the amount the Company reasonably determines, in consultation with its advisers, as the maximum allocation which can be made consistent with avoiding an allocation which would be expected to cause all members of the IAM Employee Group to exceed the limits described in Section 5.4(a) (iii), or (zz) the percentage which was contemplated for the allocation to the IAM Employee Group upon consummation of the Additional Acquisition Loan entered into during such Plan Year. The allocation percentage to the ALPA Employee Group shall be one minus the sum of the allocation percentage to the Management and Salaried Employee Group and the IAM Employee Group."

6. Section 5.4(a) (iii) is amended by adding the following to the end of the Section:

"Effective for Plan Years beginning on or after January 1, 1996, for purposes only of allocations of contributions under Part A, the amount of the limitation under Code Section 415(c) shall be reduced by an amount which is reasonably estimated by the Company for each Employee Group, as necessary to permit the allocation of Voting Preferred Stock under Section 5.4(c) (i), without violating the limitation of Code Section 415(c). For this purpose, the amount of the reduction in the limitation may be estimated in any reasonable way, and such estimation may be made on a group-wide, rather than an individual basis; the amount of the reduction in the limitation need not be the same for each Employee Group."

7. Section 5.4(a) (viii) shall be redesignated as clause (ix), the first word of such clause shall be changed from "eighth" to "ninth", the reference "clauses (i) through (vii)" shall be changed to a reference to "clauses (i) through (viii)", and there shall be inserted a new clause (viii) as follows:

"(viii) Eighth. If the allocation of Employer contributions described in clause (vii) results in a violation of Code Section 415 (c) for all members of any Employee Group (after reallocating any excess allocation owing to members of such Employee Group), then the excess allocation, and the shares released from repayment of Acquisition Loans resulting from such excess allocation shall be placed in the suspense account referred to in Section 5.5(f), and the tentative allocations shall become final. For this purpose, shares shall first be allocated in any Plan Year from the suspense account referred to in Section 5.5(f), and then from the shares released on account of repayment of Acquisition Loans, in the order the Acquisition loans were entered into."

8. Section 5.5 (d) is amended by adding the following to the end of the Section:

"For Plan Years beginning on or after January 1, 1996, Part B shall generally continue to be reduced before Part A, but Part A shall be reduced prior to Part B to the extent set forth in the provisions of Section 5.4(a) (iii) which refer to Voting Preferred Stock."

9. Section 5.5 (f) is amended to read as follows:

"(f) Excess Allocations. If, after applying the allocation provisions under Section 5.4, allocations under Section 5.4 would otherwise result in a violation of Code Section 415, the ESOP Committee shall reduce Employer Contributions for the next limitation year for all Participants and shall hold excess amounts in a Suspense Account for allocation in a subsequent Plan Year in accordance with Reg. Section 1.415-6(b) (6) (iii). The shares of Class 1 Non-Voting Preferred Stock which correspond to such excess contribution amounts shall also be held in such Suspense Account for allocation to Participants in a subsequent Plan Year. If an amount is held in the Suspense Account referred to in this subsection (f) after the completion of allocations for any Plan Year, then such amount shall be allocated as part of the Employer Contribution for the immediately following Plan Year. Such amount shall be included in calculating the allocation percentage among the Employee Groups, pursuant to Section 5.4(a) (i). Accordingly, in a Plan Year in which amounts held in the Suspense Account are allocated, the total Employer Contributions, including the amounts held in the Suspense Account, shall be allocated according to the allocation percentages established under Section 5.4(a) (i). The intended result of the allocation is that the Suspense Account should not alter the agreed-upon cumulative division of shares among the Employee Groups in Parts A and B and the Supplemental ESOP."

10. Section 7.2 is amended, effective as of the date this amendment is adopted and approved, by adding the following immediately before the words "provided, however":

"or the Participant is determined to have a Total Disability"

IN WITNESS WHEREOF, the Company has caused this Fourth Amendment to be executed on July 15, 1996.

UAL CORPORATION

/s/ Douglas A. Hacker
Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt
J. Randolph Babbitt
President

/s/ Michael H. Glawe
Michael H. Glawe
MEC Chairman

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede
Kenneth W. Thiede

FIFTH AMENDMENT
UAL CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Employee Stock Ownership Plan (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective as of January 1, 1996 (except as specified below).

1. The following is hereby added to the end of the first paragraph of Section 1(p):

"With respect to a Participant who is a member of the Management and Salaried Employee Group, if the Company implements a program of vacation buy-backs applicable to individuals who have not terminated employment, Compensation shall include the amounts payable on or after January 1, 1996 under such a program. With respect to the Management and Salaried Employee Group, notwithstanding the preceding sentence, Compensation shall continue to exclude pay received for vacation time that was accrued but not actually taken as vacation before termination of employment by retirement or otherwise."

2. Section 1(yy) is amended by adding the following to the end of the section:

"The Wage Investment for members of the IAM Employee Group shall be calculated by including hours for which the Participant receives payment as a vacation buy back under a vacation buy back program implemented by the Company on or after January 1, 1996. Such Wage Investment shall be credited in the Plan Year in which such payment occurs."

3. Section 5.4(a)(iv) is amended by adding the following to the end of the section:

"Effective January 1, 1997, the Company elects to apply the rule provided by Code Section 414(q)(1)(B)(ii). Accordingly, commencing with the Plan Year beginning January 1, 1997, "highly compensated employee" means any Employee who (1) was a 5% owner at any time during the Plan Year or the preceding Plan Year, or (2) for the preceding Plan Year both (i) had compensation from the employer in excess of \$80,000 (as indexed under Code Section 414(q)), and (ii) was in the top-paid group of Employees."

4. Section 7.4(a)(iii) is amended by adding the following to the end of the section:

"Effective January 1, 1997, the requirement that distributions commence following age 70-1/2, but before termination of employment, shall only apply in the case of a Participant who is a 5% owner with respect to the Plan Year in which the Participant attains age 70-1/2. For all Participants other than the 5% owners referred to in the preceding sentence, it is intended that distributions prior to termination of employment be limited to the amount, if any, required under Code Section 411(d)(6)(B)(ii). Accordingly, (1) no distribution to such a Participant shall be made unless the Participant elects to commence distributions, (2) the amount of the distributions to such a Participant shall not exceed the amount which the Participant would have been required to receive, based upon the Participant's Account balance as of December 31, 1996 under the terms of this Plan as they existed prior to adoption of the Fifth Amendment, and (3) if, by regulation, ruling or otherwise, it is established that it is permissible to delay any distributions for such a Participant until the Participant terminates employment, then distributions shall be so delayed. In the case of any Participant whose distributions commenced before January 1, 1997, distributions shall cease for the 1997 and subsequent Plan Years if the employee so elects."

5. The following is hereby added to the end of Section 7.11:

"If an appeal is filed regarding the status of a domestic relations order following a determination by the Company of the status of such order, and the Committee deadlocks with respect to such appeal, then the matter shall not be referred to a neutral arbitrator. Instead, the determination by the Company concerning the status of such domestic relations order shall be considered final."

6. Appendix A, concerning special annual allocations, is amended by adding the following to the end of the paragraph entitled "Other Special Annual Allocations":

"The Committee may adopt a Special Annual Allocation which is designed to resolve situations which occurred in any Plan Year during the Wage Investment Period even if the situation occurred before the Plan Year immediately preceding the Plan Year in which the Committee adopted the Special Annual Allocation. Thus, for example, if the Committee determines that, as a result of missing data or a similar reason, a Participant's Account was not allocated the appropriate number of shares in

1994, the Committee may adopt a Special Annual Allocation for 1996 to resolve such situation."

7. Appendix A is amended by adding the following new paragraph to the end of Appendix A:

"Special Annual Allocations for USERRA.

- a. Notwithstanding any provisions of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Internal Revenue Code.
- b. The benefits required by subsection (a) above shall be provided through a Special Annual Allocation in the year in which the Participant is reemployed following a period of qualified military service. The number of shares to be credited to such Participant under the Special Annual Allocation shall be determined according to the methods set forth above for the Special Annual Allocation for 1995. The Compensation (or, in the case of a member of the IAM Employee Group, the Wage Investment) for the affected Participant shall be the Compensation or Wage Investment which the employee would have received or been credited with during the period of qualified military service. The other data used for the Special Annual Allocation shall be the data applicable to the Plan Year or Plan Years in which the qualified military service occurred. Thus, if a Participant is entitled to a Special Annual Allocation for qualified military service performed in 1995, the Applicable Average Contribution shall be calculated with respect to allocations in the 1995 Plan Year. The Special Annual Allocation under this subsection shall be effective for Participants who returned to employment with the Company on or after January 1, 1996. For Participants who return to employment with the Company on or after October 1, 1994, but before January 1, 1996, shares were previously credited under the Supplemental Plan, and such shares shall be contributed to the accounts of such Participants under this Plan as permitted under Code Section 414(u)."

IN WITNESS WHEREOF, the Company has caused this Fifth Amendment to be executed on December 31, 1996.

UAL CORPORATION

/s/ Douglas A. Hacker

Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

/s/ Michael H. Glawe

Michael H. Glawe, MEC Chairman

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede

Kenneth W. Thiede

**FOURTH AMENDMENT
UAL CORPORATION
SUPPLEMENTAL ESOP
(Effective as of July 12, 1994)**

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective as of August 15, 1996 (except as specified below).

1. Section 1.1(c) is amended by adding the following to the end of the Section:

"For Convertible Shares to be allocated under this Plan for Plan Years beginning on or after January 1, 1996, the percentages to be allocated shall be determined as follows: The number of Convertible Shares to be allocated under this Plan shall, for each Plan Year prior to the Plan Year beginning January 1, 2000, be the remainder of deducting the shares allocated under Part A of the ESOP from 3,073,973. For the Plan Year beginning January 1, 2000, the total number of shares allocated under this Plan shall equal the remaining Convertible Shares to be allocated to all Employee Groups, after the allocation under Part A of the ESOP. The number of shares to be allocated to each of the Employee Groups for each Plan Year (other than the Plan Year beginning January 1, 2000) shall equal, for the ALPA Group, the result of deducting the shares allocated under Part A of the ESOP for such Plan Year from 1,421,097.718 shares, for the IAM Employee Group, the result of deducting the shares allocated under Part A of the ESOP for such Plan Year from 1,141,366.175 shares, and for the Management and Salaried Group shall be the result of deducting the shares allocated under Part A of the ESOP for such Plan Year from 511,509.107 shares. For the Plan Year beginning January 1, 2000, the number of shares to be allocated to each Employee Group under this Plan shall be the total number of shares remaining to be allocated to such Employee Group, after the allocations under Part A of the ESOP."

2. Section 2.2 (a) is amended by adding the following to the end of the Section:

"Notwithstanding the foregoing, the maximum number of Convertible Shares issued under this Plan and the ESOP (Part B) shall be the result of deducting from 17,675,345 the number of Convertible Shares allocated under Part A."

3. Section 3.1(b) (i) is amended to read as follows, effective as of the date this amendment is adopted and approved:

"(i) as soon as practicable following the Valuation Date coinciding with or next following the later of (x) the earlier of the Participant's termination of employment with the Employer and its Affiliates and the date the Participant is determined to have a Total Disability, or (y) December 31, 1995, the Company shall pay such Participant (or, if such Participant is not living at the time for payment, to such Participant's Beneficiary) the value of the Participant's vested Account; and"

4. Section 3.1(c) (v) is amended by adding the following to the end of the Section:

"In the case of any member of the IAM Employee Group whose employment with the Employer and its Affiliates is not terminated at the time of his election, the foregoing sentence shall not apply. Instead, any such election (or modification or revocation thereof) shall be void unless made (x) at least one year prior to the Participant's termination of employment with the Employer (and its Affiliates), (y) for a member of the IAM Employee Group who had Convertible Shares allocated to the Participant's Account under this Plan for the 1995 Plan Year, by September 15, 1996, or (z) for a member of the IAM Employee Group who did not have Convertible Shares allocated to the Participant's Account in this Plan for the 1995 Plan Year, by December 31, 1996."

IN WITNESS WHEREOF, the Company has caused this Fourth Amendment to be executed on July 15, 1996.

UAL CORPORATION

/s/ Douglas A. Hacker

Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt

J. Randolph Babbitt

President

/s/ Michael H. Glawe

Michael H. Glawe

MEC Chairman

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede

Kenneth W. Thiede

FIFTH AMENDMENT
UAL CORPORATION
SUPPLEMENTAL ESOP
(Effective as of July 12, 1994)

By virtue and in exercise of the amending power reserved to UAL Corporation (the "Company") under Section 13.1(a) of the UAL Corporation Supplemental ESOP (effective as of July 12, 1994) (the "Plan"), which amending power thereunder is subject to the approval of the Air Line Pilots Association International ("ALPA") and the International Association of Machinists and Aerospace Workers (the "IAM"), the Company hereby amends the Plan, subject to the approval of ALPA and the IAM, as follows, effective as of January 1, 1996 (except as specified below).

1. The following new subsection 1.3(h)A is added immediately following Section 1.3(h):

"(h)A "Distribution Period" means, the first week of October, 1996, the first week of December 1996, and the first week of each of the months of May, June, July, August, September, October, November and December in 1997 and subsequent Plan Years."

2. The following new subsection (c) is hereby added to Section 2.7:

"(c) For a Participant who, on or after October 1, 1994 but before January 1, 1996, returned to employment with the Company from qualified military service, shares were initially credited under this Plan on account of such service. Such shares shall be contributed to the ESOP to the extent provided in the ESOP pursuant to Code section 414(u). To the extent such shares are contributed to the ESOP for a Participant, they shall be reduced under this Plan."

3. Section 3.1(b)(i) is amended to read as follows:

"(i) during the Distribution Period following the Valuation Date coinciding with or next following the later of (x) the earlier of the Participant's termination of employment with the Employer and its Affiliates and the date the Participant is determined to have a Total Disability, or (y) December 31, 1995, the Company shall pay such Participant (or if such Participant is not living at the time for payment, such Participant's Beneficiary) the value of the Participant's vested Account; and"

4. The following is hereby added to the end of Section 3.1(b):

"The Committee may, for any Participant or group of Participants, defer all or part of a distribution to a subsequent Distribution Period if distribution during the Distribution Period referred to in clause (i) would not be practicable (e.g., because necessary information is unavailable)."

5. Section 3.1(c)(v) is amended to read as follows:

"Notwithstanding the foregoing, any election (or modification or revocation thereof) under clauses (i) or (ii) shall be void unless made at least one year prior to the Participant's termination of employment with the Employer (and its Affiliates) or prior to February 24, 1995. In the case of any member of the IAM Employee Group whose employment with the Employer and its Affiliates is not terminated at the time of his election, the foregoing sentence shall not apply. Instead any such election (or modification or revocation thereof) shall be void unless made (x) at least one year prior to the Participant's termination of employment with the Employer (and its affiliates), or (y) by December 13, 1996. Notwithstanding the foregoing, any election under clauses (iii) or (iv) shall be void unless made at least 30 days before the first day of the Distribution Period in which the distribution will be made."

IN WITNESS WHEREOF, the Company has caused this Fifth Amendment to be executed on December 31, 1996.

UAL CORPORATION

/s/ Douglas A. Hacker

APPROVED BY:

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

/s/ J. Randolph Babbitt

J. Randolph Babbitt, President

/s/ Michael H. Glawe

Michael H. Glawe, MEC Chairman

INTERNATIONAL ASSOCIATION
OF MACHINISTS AND
AEROSPACE WORKERS

/s/ Kenneth W. Thiede

FIRST REFUSAL AGREEMENT

This Agreement (the "Agreement") has been made and entered into as of this 12th day of July, 1994 by and among UAL Corporation, a Delaware corporation (the "Company"), The Air Line Pilots Association, International ("ALPA"), pursuant to its authority as the collective bargaining representative for the crafts or class of pilots employed by United Airlines, Inc. ("United"), and The International Association of Machinists and Aerospace Workers ("IAM"), pursuant to its authority as the collective bargaining representative for the crafts or classes of mechanics and related employees, ramp and stores employees, food service employees, dispatchers and security officers employed by United, and the Salaried/Management Employee Director (as defined in Article FIFTH, Section 1.66 of the Restated Certificate (as defined below)) on behalf of the salaried and management employees of United who are not represented by any collective bargaining organization (the "SAM") (ALPA, IAM and the SAM, together, the "Employee Groups").

WHEREAS, pursuant to the terms of and schedules to the Agreement and Plan of Recapitalization, dated as of March 25, 1994, by and among the Company, ALPA and the IAM (as amended, the "Recapitalization Agreement"), including the terms of the restated certificate of incorporation of the Company to be effective as of the Effective Time (as defined in the Recapitalization Agreement) (the "Restated Certificate"), neither (i) a Non-Dilutive Issuance (as defined in Article FIFTH, Section 3.4(b)(vii) of the Restated Certificate) nor (ii) the issuance of Permitted Bankruptcy Equity (as defined in Article FIFTH, Section 3.4(b)(vii)(B) of the Restated Certificate) (a "Bankruptcy Issuance") shall constitute an Other Extraordinary Matter (as defined in Article FIFTH, Section 3.4(b) of the Restated Certificate) if, among other things, such issuance is subject to the right of first refusal provided for hereunder; and

WHEREAS, the parties hereto have entered into this Agreement in order to effectuate the terms and intent of the Recapitalization Agreement and the Restated Certificate with respect to the Company's grant of such right of first refusal to the Employee Groups in connection with such Non-Dilutive Issuance and/or such Bankruptcy Issuance;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and other good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Right of First Refusal.

A. If, during the term of this Agreement, the Company proposes to issue Equity Securities (as defined in Article FIFTH, Section 1.37 of the Restated Certificate) pursuant to a transaction which would constitute an Other Extraordinary Matter pursuant to Article FIFTH, Section 3.4(b) of the Restated Certificate or would not constitute an Other Extraordinary Matter pursuant to Article FIFTH, Section 3.4(b)(vii)(A) or (B) of the Restated Certificate (a "Proposed Equity Issuance"), the Company, prior to making such Proposed Equity Issuance, shall provide each of the Employee Groups with a written statement of the specific terms of such Proposed Equity Issuance (the "Proposed Sale Notice"); provided, however, that the issuance of Equity Securities in exchange for the Series A Convertible Preferred Stock, without par value (the "Series A Preferred Stock") of the Company, or any underlying Equity Security upon the conversion of any Equity Security so issued in exchange, shall not constitute a Proposed Equity Issuance; provided, further, that the issuance of Equity Securities in the four-for-one stock split in the form of a stock dividend of Common Stock, \$.01 par value ("Common Stock"), on or with respect to the Common Stock of the Company, and approved at the February 29, 1996 meeting of the Board of Directors of the Company (the "Stock Split"), shall not constitute a Proposed Equity Issuance. Each of the Employee Groups shall then have 30 days to provide to the Company a binding commitment to purchase up to its respective Proportionate Percentage (as defined in subsection D below) of the Equity Securities proposed to be issued in such Proposed Equity Issuance on terms that are Equivalent (as defined in subsection E below) to the terms set forth in the Proposed Sale Notice (the "Purchase Commitment"), and the Company shall not consummate the Proposed Equity Issuance during such 30 day period. If the Company consummates a Proposed Equity Issuance within 180 days of the end of the 30 day notice period with respect thereto, it shall honor all the timely Purchase Commitments and shall reduce the amount of securities offered pursuant to the Proposed Equity Issuance by the amount of securities covered by such Purchase Commitments.

B. In addition to and not in limitation of the foregoing, if one or more Employee Groups submit a Purchase Commitment within the 30 day period provided for in subsection A above and any other Employee Group either (i) indicates in writing during such period that it does not intend to submit a Purchase Commitment for all of its Proportionate Percentage of the Proposed Equity Issuance or (ii) does not submit a Purchase Commitment for all of its Proportionate Percentage of the Proposed Equity Issuance within such 30 day period, then the Company, prior to consummating a Proposed Equity Issuance, must provide each of the Employee Groups that submitted a Purchase Commitment for all of its Proportionate Percentage of the Proposed Equity Issuance with the opportunity to provide an additional purchase commitment with respect to the portion of the Proposed Equity Issuance that is not subject to a Purchase Commitment (an "Additional Purchase Commitment") within the last to expire of (a) 15 days after receipt of written notice from the Company of the opportunity to make an Additional Purchase Commitment and (b) the unexpired portion of the 30 day period referred to in subsection A above which remains after receipt of written notice from the Company that any portion of the Proposed Equity Issuance is not subject to a Purchase Commitment from any other Employee Group (such longer period, the "APC Period"). The Company shall not consummate the Proposed Equity Issuance during such APC Period and if the Company consummates a Proposed Equity Issuance within 180 days of the end of the notice period referred to in the preceding sentence, it shall honor all the timely Additional Purchase Commitments and shall reduce the amount of securities offered pursuant to the Proposed Equity Issuance to any person or entity other than the Employee Groups by the amount of securities covered by such Additional Purchase Commitments.

C. Notwithstanding anything set forth in subsection B to the contrary, if more than one Employee Group submit Additional Purchase Commitments which in the aggregate are in excess of the securities being offered pursuant to the Proposed Equity Issuance, the Company shall accept such Additional Purchase Commitments in proportion to the relative proportion that such Employee Groups Proportionate Percentages bear to each other; provided, however, that in no event shall any Employee Group be obligated to purchase Equity Securities in excess of the amount set forth in its Additional Purchase Commitment.

D. For the purposes of this Agreement, "Proportionate Percentage" shall mean, for each of the Employee Groups, the following:

ALPA:	46.23%
IAM:	37.13%
SAM:	16.64%

E. For the purpose of this Agreement, "Equivalent" shall mean, in connection with a Proposed Equity Issuance, a Purchase Commitment on substantially the same terms as that set forth in a Proposed Sale Notice. If any Proposed Sale Notice provides for consideration other than cash to be paid to the Company (the "Non-Cash Consideration"), a Purchase Commitment must provide for consideration to be paid to the Company, whether in cash or otherwise, with a fair market value, as determined by the board of directors of the Company, equal to the Non-Cash Consideration to be paid to the Company pursuant to the Proposed Sale Notice in order for such Purchase Commitment to be deemed Equivalent for the purpose of subsection A above.

F. In the event that no Employee Group submits a Purchase Commitment within the time period provided for in subsection A above or the Purchase Commitments and Additional Purchase Commitments, if any, submitted are for less than all of the securities being offered in the Proposed Equity Issuance, the Company may then consummate the Proposed Equity Issuance of such securities not subject to Purchase Commitments or Additional Purchase Commitments only upon the terms set forth in the Proposed Sale Notice. Such Proposed Equity Issuance may not be consummated unless it is consummated (i) within 180 days after the later of the 30 day period provided for in subsection A above or, if applicable, the APC Period provided for in subsection B above and (ii) on the specific terms set forth in the Proposed Sale Notice. Any subsequent Proposed Equity Issuance proposed by the Company shall be subject to each of the provisions and requirements of this Section 1 as if the prior Proposed Equity Issuance that was not consummated for any reason never was proposed by the Company.

G. Notwithstanding anything contained in this Section 1 to the contrary, the provisions of this Section 1 shall be inapplicable to issuances of Equity Securities (a) in accordance with Article FIFTH, Subsection 3.4(b)(vii)(C) of the Restated Certificate, (b) in exchange for the Series A Preferred Stock or upon the conversion of any Equity Security so issued in exchange, or (c) in connection with the Stock Split.

H. The Salaried/Management Employee Director may consult with the senior executive of United having responsibility for human resources concerning the exercise of any rights under this Agreement. The Company shall assist the Salaried/Management Director in the exercise of such rights, including providing administrative and logistical support in disseminating Proposed Sale Notices to the Salaried/Management Employees and collating and processing any Purchase Commitments and Additional Purchase Commitments received from such employees and, if requested, shall similarly assist ALPA and the IAM.

I. To the extent consistent with its policies and practices, United may, but shall not be obligated to, assist the SAM Employee Group (to the same extent that either of the other Employee Groups assists its members) in the exercise of their rights under this Agreement in order to enable them to consummate their Purchase Commitments made hereunder.

2. **Term.** This Agreement shall terminate and be of no further force or effect upon the Termination Date (as defined in the Restated Certificate).

3. **Assignments.** All right, title and interest in and to, and all benefits and obligations arising under, this Agreement may be assigned in whole or in part by any of the Employee Groups to any of the Existing Plans and/or the ESOPs (as defined in Article FIFTH, Sections 1.41 and 1.39 of the Restated Certificate, respectively) without the consent of any other party hereto and may not otherwise be assigned.

4. **Binding Effect.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement is being entered into for the benefit of the parties hereto (other than the Salaried/Management Director) and for the Employee Groups named herein. The Salaried/Management Director is not a party to this Agreement in a personal capacity but only in the capacity of the Salaried/Management Director as the nominal representative of the SAM Employee Group to acknowledge their acceptance of the benefits of this Agreement. Upon the replacement of the individual named herein as the Salaried/Management Director, each such successor to the office of Salaried/Management Director, rather than the individual named herein, shall be authorized to act hereunder as the Salaried/Management Director. The parties hereto, on behalf of themselves and the Employee Groups that they represent, agree that the Salaried/Management Director, and the successor Salaried/Management Directors, shall not have any personal liability under this Agreement.

5. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to the conflicts of laws principles thereof.

6. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

7. Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy of law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

8. Amendments. This Agreement may not be amended or modified unless such amendment or modification is approved in writing by each of the parties hereto.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and, except as otherwise contemplated hereby, supersedes all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

UAL CORPORATION

By: /s/ James M. Guyette

AIR LINE PILOTS ASSOCIATION,
INTERNATIONAL

By: /s/ R. D. Hall

INTERNATIONAL ASSOCIATION OF
MACHINISTS AND AEROSPACE
WORKERS

By: /s/ Ken Thiede

/s/ Joseph V. Vittoria

Joseph V. Vittoria

Salaried/Management Employee Director (not
personally but as representative of the
Salaried/Management Employees)

Officer Benefits
UAL Corporation and United Air Lines, Inc.

Travel Benefits

Positive-space travel is provided on United for active and retired officers of UAL and United and their eligible dependents, and cash payments are made to federal and state tax authorities on behalf of each active officer to cover tax liability on the value of travel benefits. This benefit includes admission to United's Red Carpet Club. For purposes of this policy, officers who are also directors of UAL receive the benefits provided to directors.

Financial Advisory Services

Financial advisory services are provided to designated officers of UAL and United. Reimbursement is limited to \$7,000 in the first year the officer is admitted to the program, and to \$4,000 per year thereafter. Unused reimbursements may be carried over and used in succeeding years.

Club Memberships

Payment is made by United for the cost of social club memberships for designated officers. The Company does not pay dues for clubs which discriminate on the basis of race, sex, religion or national origin. Such memberships are authorized by the Chairman consistent with long-standing company policies.

Welfare Benefits

All officers of UAL and United may elect "Split-Dollar" life insurance. Under the split-dollar program, officers receive whole life coverage equal to approximately three times base salary less \$50,000. United and the officer share the responsibility for the premiums. United recovers its payments from the cash value of the policy. Officers also receive 24-Hour Accidental Death and Dismemberment (AD&D) insurance coverage which pays up to a \$250,000 benefit upon the accidental death or dismemberment of the insured.

Officers are covered by a self-insured supplemental long term disability plan which provides a supplement to the Company's disability benefit for certain management employees equal to 50% of monthly pay in excess of \$20,000.

Company Cars

The Chairman, President and certain other senior officers are entitled to the use of cars owned or leased by United.

**Employment Agreement
Amendment No. 1**

THIS AMENDMENT, made as of the 28th day of October 2001, by and between UAL Corporation, a Delaware corporation ("UAL") and United Air Lines, Inc., a Delaware corporation ("UA", UAL and UA sometimes collectively referred to as "United") and James E. Goodwin ("Executive").

WITNESSETH THAT:

WHEREAS, the parties hereto have executed an employment agreement, dated as of April 12, 1999 providing for the employment by United of the Executive (the "Employment Agreement"); and

WHEREAS, the parties hereto hereby desire to amend the Employment Agreement ("Amendment");

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 5(d) shall be amended by the addition of the following subsection (ix) to read as follows:

(ix) Executive shall provide United with assistance on an as needed basis with respect to issues and events originating during Executive's employment with United. In order for Executive to be able to respond to any requests by United on these matters, United shall reimburse Executive for the cost of, or at United's option, provide Executive with office and secretarial support for a period of five (5) years beginning on Executive's Termination Date. To the extent United provides the secretarial support to Executive for any portion of the period, the only reimbursement the Executive shall be entitled to receive is for his direct office space expense. The reimbursement for office space shall not exceed thirty thousand dollars (\$30,000) per year (prorated for partial years). If secretarial support provided by United is discontinued, Executive shall employ his own secretarial support and the cost of such support shall be included within the annual reimbursement. The annual reimbursement for office space and secretarial services (prorated for partial years) may not exceed ninety-five thousand dollars (\$95,000). The annual limits for reimbursements may be adjusted for annual increases but in no event to exceed 5% per year.

2. Section 5(d) shall be amended by the addition of the following subsection (x) to read as follows:

(x) A. In consideration of the payments and benefits provided in subsection (ix) above, Executive hereby voluntarily, knowingly, willingly, irrevocably, and unconditionally releases United and UAL together with their respective parents, subsidiaries and affiliates, and each of their respective officers, directors, employees, representatives, attorneys and agents, and each of their respective predecessors, successors and assigns (collectively, the "Releasees") from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, causes of action, rights, costs, losses, debts, and expenses of any nature whatsoever, known or unknown, which against them Executive or his successors or assigns ever had, now have or hereafter can, shall or may have (either directly, indirectly, derivatively or in any other representative capacity) by reason of any matter, fact or cause whatsoever arising from the beginning of time to the date of this Amendment, including without limitation all claims arising under Title VII of the Civil Rights Act of 1991, the federal Age Discrimination in Employment Act of 1967 ("ADEA"), the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, each as amended; and all other federal, state or local laws, rules, regulations, judicial decisions or public policies now or hereafter recognized, including but not limited to the Illinois Human Rights Act, as amended. This release by Executive of the Releasees also includes, without limitation, all claims arising under each employee pension, employee welfare, and executive compensation plan of United now in effect or hereafter adopted, except for any benefits to be provided to Executive under this Employment Agreement or Amendment. Executive acknowledges that he has received all of the benefits he is entitled to receive under paragraphs 3 and 5 of this Employment Agreement and the Restricted Stock Unit Agreement dated April 12, 1999, and he hereby releases the Releasees from any claims to such to such benefits except as to those benefits which are to continue until October 28, 2004 pursuant to this Employment Agreement. It is agreed that this subsection shall survive termination of the Employment Agreement. Nothing in this subsection shall affect or impair any right Executive has to either (1) indemnification pursuant to United's or UAL's bylaws or applicable law or (2) any vested benefit under United's employee benefit plans.

(B) Executive expressly acknowledges and agrees that by entering into this Amendment, Executive is waiving any and all rights or claims that he may have arising under the ADEA, as amended, which have arisen on or before the date of execution of this Amendment. Executive further expressly acknowledges and agrees that:

- (i) In return for this Agreement, Executive will receive compensation beyond that which he was already entitled to receive before entering into this Agreement;

- (ii) Executive has been advised by United to consult with an attorney before signing this Agreement;
- (iii) Executive was given a copy of this Agreement on or before November 7, 2001. Executive has been informed that Executive has until November 28, 2001 within which to consider the Agreement. Changes made to the Agreement at the request of UA or Executive will not extend the consideration period. If Executive considers and executes this Agreement before November 28, 2001, then Executive agrees that he has had a reasonable period of time to consider the Agreement; and
- (iv) Executive was informed that Executive had seven (7) days following the date of execution of the Agreement in which to revoke the Agreement. After seven (7) days this Agreement will become effective, enforceable and irrevocable unless written revocation is received by the undersigned from Executive on or before the close of business on the seventh (7th) day after Executive executed this Agreement. If Executive revokes this Agreement it shall not be effective or enforceable and Executive will not receive the compensation or benefits described in this Agreement.

C. United and UAL together agree that they have entered into this Amendment on a purely voluntary basis, and in consideration of the benefits provided to them herein, they further agree to release Executive and his successors and assigns, from and against any and all charge, complaints, claims, liabilities, obligations, promises, agreements, causes of action, rights, costs, losses, debts, and expenses.

(3) No Other Changes. In all other respects, the provisions of the Employment Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of the date first written above.

/s/ James E. Goodwin
James E. Goodwin

UAL CORPORATION

By /s/ Francesca M. Maher
Francesca M. Maher
Senior Vice President,
General Counsel and
Secretary

Description of Benefit Arrangement for John W. Creighton, Jr.Temporary Living Expenses

For a period not to exceed one year from the employment date, John W. Creighton, Jr., Chief Executive Officer of UAL Corporation, is entitled to temporary living expenses while working at United's headquarters in Chicago, Illinois including the cost of a temporary residence (not to exceed \$3,000 per month), a company car for business use and a per diem allowance of \$46 per day.

Office Space Reimbursement

United provides Mr. Creighton with office space located in the vicinity of his personal residence in Seattle, Washington to be used primarily for United business while he is staying at his personal residence. Reimbursement is limited to \$3,000 per month.

AGREEMENT WITH JOHN W. CREIGHTON, JR.
NON-QUALIFIED STOCK OPTION UNDER 2000
INCENTIVE STOCK PLAN OF UAL CORPORATION

This Option, granted this 28th day of October, 2001 by UAL Corporation, a Delaware corporation (hereinafter called the "Company"), to John W. Creighton, Jr., an employee of the Company or one of its subsidiaries (hereinafter called the "Employee").

WITNESSETH:

The object of this Option is to provide a means to permit the Employee to acquire shares of Common Stock, \$.01 par value per share (hereinafter referred to as "Common Stock"), of the Company pursuant to a non-qualified option for the purposes set forth in the 2000 Incentive Stock Plan.

NOW, THEREFORE, the Company hereby grants to the Employee an option (hereinafter called the "Option") to purchase, from time to time, all or any part of a total of 400,000 shares of Common Stock for a period of time beginning the date of the grant and ending October 27, 2011, ten years after the date of the Option (hereinafter called the "Option Period"), upon and subject to the following terms and conditions:

1. For any shares of Common Stock purchased at any time during the Option Period, the Employee shall pay to the Company Fourteen Dollars and Forty-Eight Cents (\$14.48) per share (hereinafter called the "Option Purchase Price"), being not less than 100% of the fair market value of the shares on the date hereof.

2. The Option may be exercised, subject to provisions herein relative to its termination and to the provisions of Section 3 hereof, only within the Option Period and only (a) by notices in writing of intent to exercise the Option, each of which notices shall state the number of shares in respect of which the Option is exercised, delivered to the Corporate Secretary of UAL Corporation, or mailed by registered or certified mail addressed to the Corporate Secretary of UAL Corporation, P. O. Box 66919, Chicago, Illinois 60666, from time to time, until said total of 400,000 shares has been purchased, and (b) by payment to the Company of the aggregate Option Purchase Price for the number of shares in respect of which the Option is exercised (together with any taxes required to be withheld) contemporaneously with its receipt of each such notice (provided that the Company may, in its sole discretion, permit a later payment). Payment of such aggregate Option Purchase Price may be made, in whole or in part, by the delivery of whole shares of Common Stock which (i) have a market value equal to such aggregate Option Purchase Price (or equal to the portion of such aggregate Option Purchase Price being paid with such shares), (ii) are held of record by the Employee, and (iii) have been owned by the Employee, either of record or beneficially through a broker or other nominee, for at least six months. The Company may require at the time the Option is exercised a written statement of the person exercising the Option that his or her intention is to acquire the shares for investment and without a view to their distribution.

3. The Option is subject to the following limitations upon its exercise:

(a) No shares may be acquired until November 28, 2001.

(b) On the 28th day of each of the six (6) consecutive months beginning on November 28, 2001, the Employee will be entitled to exercise the right to purchase one-sixth (1/6) of the total number of shares specified in the Option.

4. The Employee may elect, in accordance with the Option Deferral Policy as in effect from time to time, to defer receipt of the shares that result from the exercise of the Option. The election to defer receipt of shares is irrevocable.

5. Unless an election to transfer has been made, the Option is not transferable by the Employee, other than by will or the laws of descent and distribution, and may be exercised, during the lifetime of the Employee, only by the Employee. Upon election, Employee may transfer any part of or all of the Option, but only to persons provided by, and in a manner consistent with, the Option Transfer Policy.

6. Except as otherwise provided in this paragraph, the Option shall terminate on October 27, 2011. If the Employee's employment (by the Company or any of its subsidiaries) shall cease for any reason except death, the Option may be exercised within the fixed expiration date set forth herein by the Employee or, in the event of the Employee's death following termination of employment, by his estate or by the person or persons to whom his rights under the Option shall pass by will or the laws of descent and distribution, but only in respect of the number of shares which the Employee could have acquired by the exercise thereof immediately prior to such cessation of employment. If the Employee's employment (by the Company or any of its subsidiaries) shall cease by reason of death of the Employee, the Option may be exercised within one year after the date of death (but not later than the fixed expiration date set forth herein) by his estate or by the person or persons to whom his rights under the Option shall pass by will or the laws of descent and distribution, but only in respect of the number of shares which the Employee could have acquired by the exercise thereof immediately prior to such cessation of employment. In the event of any disagreement as to whether for the purposes of this Option an Employee's employment has ceased, the Committee appointed to administer the 2000 Incentive Stock Plan shall have absolute and uncontrolled discretion to determine whether an Employee's employment has ceased, and the effective date of such cessation of employment, and its determination shall be final and conclusive on all persons affected thereby.

7. The Company shall not be required to issue or deliver any certificate for its Common Stock purchased upon the exercise of this Option prior to compliance by the Company with any requirements of any stock exchange on which Common Stock of the Company may at

that time be listed. If at any time during the Option Period the Company shall be advised by its counsel that the shares of Common Stock deliverable upon an exercise of the Option are required to be registered under the Federal Securities Act of 1933, as amended, or any state securities law or that delivery of such Common Stock must be accompanied or preceded by a Prospectus meeting the requirements of such Act, the Company will use its best efforts to effect such registration or provide such Prospectus not later than a reasonable time following each exercise of this Option, but delivery of Common Stock by the Company may be deferred until such registration is effected or such Prospectus is available. If at any time during the Option Period the Company shall be advised by its counsel that the Common Stock deliverable upon exercise of this Option are subject to the restrictions on sale imposed on "affiliates" under Rule 144 of the Federal Securities Act of 1933, the Employee will use his or her best efforts to comply with said Rule 144. The Employee shall have no interest in Common Stock covered by this Option until certificates for said shares of Common Stock are issued.

8. In the event the outstanding shares of Common Stock of the Company shall be changed into an increased number of shares, through a stock dividend or a split-up of shares, or into a decreased number of shares, through a combination of shares, then immediately after the record date for such change, the number of shares of Common Stock then subject to the Option shall be proportionately increased, in case of such stock dividend or split-up of shares, or proportionately decreased, in case of such combination of shares, and the Option Purchase Price under such Option shall be adjusted to such amount that the aggregate cost of the shares subject to such Option immediately after such increase or decrease in shares shall be the same as the aggregate cost of the shares subject to such Option immediately prior to such increase or decrease in shares.

In the event that, as a result of a reorganization, sale, merger, consolidation or similar occurrence, there shall be any other change in the shares of Common Stock of the Company, or of any stock or other securities into which such Common Stock shall have been changed, or for which it shall have been exchanged, then the Board of Directors of the Company shall make such equitable adjustments to the Option (including, but not limited to, changes in the number or kind, or the Option Purchase Price, of shares then subject to the Option), as it shall deem appropriate, and any such adjustments shall be effective and binding on the Employee for all purposes of the Option.

9. Notwithstanding anything in this Agreement to the contrary, the Employee may elect, prior to delivery of the shares arising from exercise of the Option, to satisfy any Federal, State, local, FICA, Medicare or other tax withholding obligation attributable to the exercise of the Option by having the Company withhold from the Common Stock a number of whole shares of Common Stock with a fair market value equal to the amount of such tax withholding obligations with respect to which such election is made (with the Employee to pay in cash any remaining amount of such tax withholding obligation which is less than the fair market value of a whole share). The amount withheld pursuant to this Section shall be calculated based upon the minimum tax rate or rates at which the Company is required to withhold under applicable law.

10. This Option shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the Company and the heirs and personal representatives of the Employee.

11. This Option shall be governed by the laws of the State of Illinois applicable to agreements made and to be performed entirely within such State.

12. Except as expressly provided herein, this Option may not be altered, modified, changed or discharged, except by a writing signed by or on behalf of both the Company and the Employee.

13. I acknowledge and agree to comply with the legal requirements and Company's policies applicable to trading in UAL securities by me, as described in the United Airlines Code of Conduct and Securities Trading Policy, as they appear in Regulations 5-4.

IN WITNESS WHEREOF, the Company has executed this Option on the day and year first above written.

UAL CORPORATION

By /s/ Francesca M. Maher
Senior Vice President,
General Counsel and Secretary

ACCEPTED:

/s/ John W. Creighton, Jr.
(Signature of Employee)

**UNITED NEWVENTURES
LONG TERM INCENTIVE PLAN**

WHEREAS, UAL Corporation (the "Company") desires to provide long term incentive opportunities to certain employees in its subsidiaries who are involved with the Company's e-business.

NOW, THEREFORE, effective as of July 1, 2000, the Company adopts this United NewVentures Long Term Incentive Plan.

UAL CORPORATION

By: /s/ Douglas A. Hacker
Name: Douglas A. Hacker
Title: Executive Vice President

**UNITED NEWVENTURES
LONG TERM INCENTIVE PLAN**

I. PURPOSE AND EFFECTIVE DATE

A. *General.* In an effort to gain a position of leadership in the fast-growing and highly competitive e-business segments in which UAL Corporation (the "Company") competes, it is necessary to promote the financial interests of the Company and its subsidiaries, including its growth, by attracting and retaining certain highly qualified employees possessing outstanding ability, motivating such employees, and providing incentive compensation opportunities which are competitive with those of e-business companies. The United NewVentures Long Term Incentive Plan (the "Plan") hereinafter described is designed to assist the Company in attaining these objectives.

B. *Cash Bonus Plan.* The Plan is a cash bonus plan and is not intended to be (and will not be construed and administered as) an employee benefit plan within the meaning of ERISA. Incentive Awards under the Plan are intended to be discretionary and will not constitute a part of an employee's regular rate of pay for any purpose. Except to the extent specifically provided under a particular pension, insurance, profit sharing, retirement welfare or other employee benefit plan or arrangement maintained or contributed to by the Employer or affiliate, the payment of an Incentive Award to a Participant under the Plan will not be deemed to be "salary," "cash compensation" or any other form of "compensation" to the Participant for the purpose of computing benefits to which the Participant may be entitled under any such plan or arrangement.

C. *Effective Date.* The Plan is effective July 1, 2000.

II. PLAN ADMINISTRATION

A. *Plan Administration.* The Company or its delegate has the authority and responsibility to manage and control the general administration of the Plan, except as to matters expressly reserved in this Plan to the Compensation Committee of the Board of Directors of the Company (the "Committee"). This Plan is not intended to modify or limit the powers, duties or responsibilities of either the Board or the Committee as set forth under the UAL Corporation Restated Certificate of

Incorporation. Determinations, decisions and actions of the Company or, if applicable, the Committee, in connection with the construction, interpretation, administration, or application of the Plan will be final, conclusive, and binding upon any Participant and any person claiming under or through the Participant. No employee of an Employer, any member of the Board, any delegate of the Board, or any member of the Committee will be liable for any determination, decision, or action made in good faith with respect to the Plan or any Incentive Award made under the Plan. In determining values under the Plan, the Board may, in its sole discretion, rely on valuation methodologies, formulas or valuations performed by its advisors.

B. *Compensation Committee.* The Compensation Committee has the sole authority and responsibility to review the Level of Participation for any person who is a Section 16 Officer under the Securities Exchange Act of 1934, and to otherwise administer Incentive Awards payable to such individuals.

III. DEFINITIONS

Unless the context requires otherwise, the following terms when used with initial capitalization have the following meanings.

A. *Account* -- A bookkeeping account maintained by the Company in the name of a Participant, which Account will consist of two subaccounts, one known as the "Cash Subaccount" and the other known as the "Stock Subaccount."

B. *Board* -- The Board of Directors of the Company.

C. *Business Unit* -- The e-business segments or investments of the Subsidiary which are identified on Exhibit A, as from time to time supplemented by the Company.

D. *Committee* -- Committee means the Compensation Committee of the Board as set forth in the UAL Corporation Restated Certificate of Incorporation, or such other committee appointed by the Board, in accordance with the requirements of the UAL Corporation Restated Certificate of Incorporation, to exercise the powers and perform the duties assigned to the Compensation Committee under this Plan.

E. *Company* -- UAL Corporation.

F. *Company Cost of Capital* -- Twelve percent (12%) per annum, compounded annually, or such other interest rate which the Company, in its sole discretion, determines from time to time, is the Company's internal cost of obtaining capital for investment.

G. *Employer* -- The Company and its Subsidiary.

H. *Ending Value* -- The value of all or a portion of a Business Unit, as determined by the Board in its sole and absolute discretion, upon the occurrence of a Liquidating Event or Termination Event.

I. *ERISA* -- The Employee Retirement Income Security Act of 1974, as may be amended from time to time, including any related regulations.

J. *Incentive Award* -- The dollar value of an award made to a Participant as determined under Paragraph V.D. of the Plan.

K. *Interim Value* -- The value of all remaining Business Units, as determined by the Board in its sole and absolute discretion, as of a Valuation Date, or as of each calendar year-end during the Performance Period.

L. *Level of Participation* -- The percentage of Value Created awarded to a Participant as provided in Paragraph V.A.

M. *Liquidating Event* -- A Liquidating Event occurs on:

1. The date all or a portion of the Employer's position in one or more Business Units is liquidated for cash prior to the end of the Performance Period.
2. The date the Employer issues a publicly traded equity instrument (e.g., tracking stock) encompassing all or a portion of one or more Business Units.
3. The date the Employer otherwise liquidates or terminates its interest in all or a portion of one or more Business Units.

The Board will, in its sole and absolute discretion, determine whether and when a Liquidating Event has occurred.

N. *Maximum Incentive Award Amount* -- Any Participant who terminates employment with the Employer during the Performance Period will be subject to a Maximum Incentive Award Amount equal to the Participant's Vested Interest in his or her Level of Participation at the time of such termination multiplied by the difference between the Starting Value and the lower of (i) the Interim Value which immediately precedes or is coincident with his or her date of termination of employment with the Employer, or, (ii) the Interim Value immediately following the Participant's termination of employment with the Employer. Notwithstanding the foregoing, in the event a Participant's termination of employment with the Employer is on account of

death or total disability, the determination of the Participant's Maximum Incentive Award Amount will be based on the greater of (i) the Interim Value immediately preceding such termination of employment or (ii) the Interim Value immediately following such termination of employment. A Participant's Maximum Incentive Award Amount will be decreased by Incentive Award payments made to the Participant or credited to the Participant's Account as a result of subsequent Liquidating Events or a Termination Event. The total of all Incentive Awards paid to the Participant or credited to the Participant's Account after his or her termination of employment with the Employer and subsequently paid to the Participant may not exceed the Participant's Maximum Incentive Award Amount.

- O. *Participant* -- Each employee of the Employer who is designated a Participant by the Company or the Committee.
- P. *Plan* -- The United NewVentures Long Term Incentive Plan, as evidenced by this written instrument as may be amended from time to time.
- Q. *Plan Year* -- Each of the four 12-month periods beginning July 1 and ending June 30 which occur during the Performance Period.
- R. *Performance Period* -- A period of four years commencing July 1, 2000 and ending June 30, 2004.
- S. *Section 16 Officer* -- Each executive officer of the Company, as determined for purposes of Section 16 of the Securities Exchange Act of 1934.
- T. *Starting Value* -- For purposes of determining the Value Created for a Participant's Incentive Award, the Starting Value of all or a portion of a Business Unit will be determined as follows:
 - 1. In general, the Starting Value is the initial investment by the Employer in a Business Unit or the market value at the time it is designated as a Business Unit subject to the Plan, increased by an amount equal to the Company Cost of Capital multiplied by such investment, plus any subsequent investment(s) by the Employer in such Business Unit made after the date of the designation as a Business Unit and before a Liquidating Event or Termination Event, increased by an amount equal to the Company Cost of Capital multiplied by such subsequent investment(s).
 - 2. In the case of an employee who becomes a Participant following the end of a Plan Year, the Starting Value for purposes of determining such Participant's Value Created will be equal to the Interim Value as of the Valuation Date which coincides with or immediately precedes the date of his or her participation in the Plan.
 - 3. If, at the time of a Liquidating Event or Termination Event, the valuation of a Business Unit must be changed to reflect a change in the transfer pricing rules or some other similar requirement, then the Business Unit's Starting Value may be adjusted retroactively to reflect such change.
 - 4. The Board will, in its sole and absolute discretion, establish all Starting Values.
- U. *Subsidiary* -- The NewVentures division of United Air Lines, Inc. or a subsidiary established as a successor of the e-business segment of such division.
- V. *Termination Event* -- The end of the Performance Period, or, if earlier, the date of termination of the Plan.
- W. *Valuation Date* -- Includes June 30, 2001, June 30, 2002 and June 30, 2003, or such other date selected by the Company and designated as a Valuation Date.
- X. *Value Created* -- A Participant's Value Created upon a Liquidating Event is the difference between the Starting Value and the Ending Value. A Participant's Value Created upon a Termination Event is the difference between the sum of the Starting Values of all remaining Business Units and the sum of the Ending Values of such Business Units. A Participant's Value Created upon a Liquidating Event or Termination Event may be a negative amount.
- Y. *Vested Interest* -- A Participant's Vested Interest is determined as of the end of each Plan Year based on the Participant's Years of Service (including any fractional year) and whichever of the following schedules is applicable:
 - 1. For an employee who becomes a Participant during the first Plan Year:

<u>Year</u>	<u>Vested Interest</u>
1	25%
2	50%
3	75%
4	100%

2. For an employee who becomes a Participant during the second Plan Year:

<u>Year</u>	<u>Vested Interest</u>
2	33-1/3%
3	66-2/3%
4	100%

3. For an employee who becomes a Participant during the third Plan Year:

<u>Year</u>	<u>Vested Interest</u>
3	50%
4	100%

4. For an employee who becomes a Participant during the fourth Plan Year:

<u>Year</u>	<u>Vested Interest</u>
4	100%

Vesting for a fractional year will be determined by interpolation.

Notwithstanding the foregoing, upon a Termination Event, each Participant who is an employee of the Employer on such date will, for purposes of determining his or her Years of Service, be treated as having been actively employed through the end of the Performance Period.

IV. PARTICIPATION AND VESTING

A. *Participants.* The employees eligible for participation in the Plan are employees of the Employer. The Company will determine, in its sole discretion, which employees participate in the Plan and the date such participation will begin. Participation will be effective as of the July 1 designated by the Company, or in the absence of a specific designation, the July 1 immediately following the employee's receipt of an Award Agreement.

B. *Vesting.* A Participant's Vested Interest will be determined as of the last day of each Plan Year. A Participant will receive credit for a year of service only if the Participant is continuously an active employee of the Employer through the end of the Plan Year (disregarding any FMLA leave or military leave under USERRA). A Participant who is on an unpaid leave of absence will receive credit for each month of active service with a Year of Service credited for 12 cumulative months of service, and a fractional Year of Service credited for less than 12 months of service. Upon termination of a Participant's employment with the Employer, the Participant's Vested Interest in his or her right to an Incentive Award will be fixed and no further increase in his or her Vested Interest will occur. Notwithstanding the foregoing, in the event a Participant's termination of employment is on account of death or total disability, for purposes of determining his or her Vested Interest, such Participant will be deemed to have remained an active employee of the Employer through the end of the Plan Year during which such event occurred.

C. *Forfeiture of Level of Participation.* Upon termination of a Participant's employment with the Employer or the Company's termination of an employee's active participation under the Plan, such Participant's Level of Participation will be reduced to his or her Vested Interest in such Level of Participation and the balance of the Participant's Level of Participation will be forfeited.

D. *Forfeiture of Non-Vested Account Balance.* Upon termination of a Participant's employment with the Employer, such Participant's non-vested interest in his or her Account will be immediately forfeited. Thereafter, amounts credited to the Participant's Account will be 100% vested.

E. *Reemployment.* If a Participant has terminated employment with the Employer and is reemployed by the Employer, such employee will be treated as a new Participant with respect to any subsequent award under Paragraph V.A.

V. COMPUTATION AND PAYMENT OF INCENTIVE AWARDS

A. *Level of Participation.* Each Participant will be awarded a Level of Participation upon the date of his or her designation as a Participant pursuant to an Award Agreement in substantially the form attached hereto as Exhibit B. The Level of Participation

for Participants who are Section 16 Officers will be determined by the Committee and the Level of Participation for all other Participants will be determined by the Chief Executive Officer of the Company. A Participant's Level of Participation applies to the Value Created for all Business Units. A Participant's Level of Participation may be increased through additional awards. Upon termination of employment with the Employer, a Participant's Level of Participation will be reduced to a percentage equal to his or her Vested Interest in his or her Level of Participation, and thereafter, a Participant's Incentive Award will be determined based on the Participant's reduced Level of Participation.

B. *Forfeited Level of Participation.* Any forfeited Level of Participation will be held by the Company and may be used for making additional awards to existing or new Participants. An award of additional Level of Participation to a Section 16 Officer must be approved by the Committee.

C. *Maximum Level of Participation.* The total Level of Participation for all Participants may not exceed twelve percent (12%). In the event the total Level of Participation for all Participants exceeds twelve percent (12%), the Level of Participation of all Participants will be reduced pro rata.

D. *Calculation of Individual Incentive Awards.* Upon a Liquidating Event or Termination Event, the Board will determine each Participant's Value Created. A Participant's Incentive Award upon a Liquidation Event or Termination Event is his or her Value Created multiplied by the Participant's Level of Participation on such date.

E. *Payment of Incentive Award.* As soon as administratively feasible after a Liquidating Event or Termination Event, the Company will take the following action with respect to the Participant's Incentive Award:

1. *Employees.* Subject to subparagraph 2, below, for each Participant who is an employee of the Employer or any affiliate of the Company, such Participant's Vested Interest in his or her Incentive Award, which is not a negative amount at the time of a Liquidating Event, will be paid to the Participant in cash if the Liquidating Event is one described in Paragraph III(M)(1) and will be paid in the form of the publicly traded equity instrument ("stock") if the Liquidating Event is one described in paragraph III(M)(2). The nonvested cash portion of such Incentive Award will be credited to the Participant's Cash Subaccount and the nonvested stock portion of the Incentive Award will be credited to the Participant's Stock Subaccount. Subject to subparagraph 3, below, the Participant will receive payment in cash or stock of the vested portion of the Participant's Account balance, as soon as administratively feasible following the end of each Plan Year. The amount by which the Participant's nonvested Account balance, as adjusted, vests as of the end of the Plan Year is determined by multiplying the amount of such nonvested Account by a percentage equal to the ratio of one to the sum of the number of the current and remaining Plan Years. Notwithstanding the foregoing, the Participant will be 100% vested in his or her Account balance upon a Termination Event.

2. *Transferred Employees.* A Participant who has terminated employment with the Employer but is employed by an affiliate of the Company may not receive payments of Incentive Awards following termination of employment which in the aggregate exceed such Participant's Maximum Incentive Award Amount.

3. *Limitation on Payment of Vested Account Balance.* Payment to a Participant of his or her vested Account Balance following the end of a Plan Year may not exceed an amount, determined as of the Valuation Date, equal to (i) the Participant's vested and nonvested Account balance reduced by an amount equal to the Participant's Level of Interest multiplied by any negative Interim Value, (ii) multiplied by the ratio determined in subparagraph 1, above.

4. *Terminated Employees.* Each Participant who has terminated employment with the Employer and all affiliates of the Company will have his or her Incentive Award (which is not a negative amount), credited to his or her Account following the date of each subsequent Liquidating Event or Termination Event, provided, however, the total amount which may be credited to the Participant's Account may not exceed the Participant's Maximum Incentive Award Amount. As soon as administratively feasible following the Termination Event, the Participant's Account balance will be determined and such amount will be paid in cash to the Participant, provided the total of all payments made to the Participant following his or her termination of employment with the Employer may not exceed his or her Maximum Incentive Award Amount.

5. *Treatment of Negative Incentive Award.* If a Participant's Value Created, either upon a Liquidating Event or a Termination Event, is a negative amount, then the corresponding negative Incentive Award amount will be debited to the Participant's Account (first against the Participant's non-vested Cash Subaccount, then, in order, against the Participant's non-vested Stock Subaccount, vested Cash Subaccount and vested Stock Subaccount).

6. *Account Balance.* The Participant's Cash Subaccount (including any negative balance) will be adjusted each June 30 and December 31 by crediting it with interest at a rate equal to the prime rate as reported by *The Wall Street Journal*. The Participant's Cash Subaccount will also be credited with the amount of any cash dividend received by the Employer with respect to the stock credited to the Participant's Stock Subaccount. The Participant's Stock Subaccount will be equitably adjusted to reflect any merger, consolidation, reorganization, recapitalization, liquidation, reclassification, stock split, combination of shares or any other similar change in the structure or organization of the issuer of the stock credited to the Stock Subaccount, and will also be adjusted by crediting it with any dividend in-kind received with respect to such stock. Any payment to a Participant of any portion of his or her vested Account balance will be debited to the Participant's Account.

7. *Modification of Time and Manner of Payment.* Notwithstanding anything herein to the contrary, the Company

retains the unilateral right, in its sole and absolute discretion, to vary the manner and time for making payments under the Plan.

F. *Withholding Taxes.* Notwithstanding any of the foregoing provisions, an Employer will withhold from any payment to be made under this Plan such amounts as it reasonably determines it may be required to withhold under any applicable federal, state or other law, and transmit such withheld amounts to the appropriate authorities. If cash payments under this Plan are not available to meet the withholding requirement, the Participant must make available sufficient funds to meet the requirements of such withholding, and the Employer is entitled and authorized to take such steps as it may deem advisable, including but not limited to, withholding out of any funds or property due or to become due to the Participant, in order to have such funds made available to the Employer.

VI. MISCELLANEOUS

A. *Non-Assignability.* A Participant's rights and interests in and to payment of any Incentive Award under the Plan may not be assigned, transferred, encumbered or pledged other than by will or the laws of descent and distribution; and are not subject to attachment, garnishment, execution or other creditor's processes.

B. *Amendment or Termination.* Subject to the UAL Corporation Restated Certificate of Incorporation, the Plan may at any time be amended, modified, or terminated, as the Board in its discretion determines. Such amendment, modification, or termination of the Plan will not require the consent, ratification, or approval of any party, including any Participant.

C. *No Contract of Employment.* Neither the Plan, nor any Incentive Award, constitutes a contract of employment, and participation in the Plan will not give any employee the right to be retained in the service of the Employer or any affiliate of the Company or continue in any position or at any level of compensation.

D. *Controlling Law.* This Plan and all determinations made and actions taken pursuant hereto will be governed and construed by the internal laws of the State of Illinois, except its laws with respect to choice of law.

E. *Beneficiary Upon Death.* An Incentive Award payable to a Participant following his or her death, will be paid to the Participant's legal representative.

F. *Unfunded, Unsecured Obligation.* A Participant's only interest under the Plan is the right to receive contractual payment for an Incentive Award pursuant to the Award Agreement and the Plan. No portion of the amount payable to a Participant under this Plan will be held by the Company or Subsidiary in trust or escrow or any other form of asset segregation. To the extent that a Participant or beneficiary acquires a right to receive a payment in cash or stock under the Plan, such right will be no greater than the right of any unsecured, general creditor of the Company, and no trust in favor of any Participant or beneficiary will be implied.

Exhibit A

Business Units

Date Covered

Starting Value as of Date Covered

Exhibit B
United NewVentures Long Term Incentive Plan
Award Agreement

Pursuant to Paragraphs IV and V of the United NewVentures Long Term Incentive Plan (the "Plan") you have been selected as a Participant in the Plan effective as of the Date of Participation/Award and awarded the following Level of Participation for Liquidating Events that occur after such date.

Participant Name: _____

Date of Participation/Award: _____

Level of Participation: _____

Vesting: You are subject to the ____ year vesting schedule set forth in Paragraph III.Y.(__) of the Plan.

This Award Agreement and your rights to an Incentive Award payment under the Plan, are subject to, and will be construed consistent with, the terms and conditions of the Plan.

PLAN ADMINISTRATOR

By:

By acceptance of this Award Agreement, I acknowledge receiving a copy of the Plan.

Accepted: _____

Dated: _____

UAL Corporation and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges

	<u>Year Ended December 31</u>				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Earnings:	(In Millions)				
Earnings (loss) before income taxes, extraordinary item and cumulative effect	\$ (3,357)	\$ 431	\$ 1,942	\$ 1,256	\$ 1,524
Undistributed (earnings) losses of affiliates	30	13	(20)	(62)	(16)
Fixed charges, from below	864	1,046	993	986	991
Interest capitalized	<u>(79)</u>	<u>(77)</u>	<u>(75)</u>	<u>(105)</u>	<u>(104)</u>
Earnings	<u>\$ (2,542)</u>	<u>\$ 1,413</u>	<u>\$ 2,840</u>	<u>\$ 2,075</u>	<u>\$ 2,395</u>
Fixed charges:					
Interest expense	\$ 525	\$ 402	\$ 362	\$ 355	\$ 286
Portion of rental expense representative of the interest factor	<u>339</u>	<u>644</u>	<u>631</u>	<u>631</u>	<u>705</u>
Fixed charges	<u>\$ 864</u>	<u>\$ 1,046</u>	<u>\$ 993</u>	<u>\$ 986</u>	<u>\$ 991</u>
Ratio of earnings to fixed charges	<u>(a)</u>	<u>1.35</u>	<u>2.86</u>	<u>2.10</u>	<u>2.42</u>

(a) Earnings were inadequate to cover fixed charges by \$3.4 billion in 2001.

UAL Corporation and Subsidiary Companies
Computation of Ratio of Earnings to Fixed Charges
and Preferred Stock Dividend Requirements

	2001	2000	1999	1998	1997
Earnings:					
Earnings (loss) before income taxes, extraordinary item and cumulative effect	\$ (3,357)	\$ 431	\$ 1,942	\$ 1,256	\$ 1,524
Undistributed (earnings) losses of affiliates	30	13	(20)	(62)	(16)
Fixed charges and preferred stock dividend requirements, from below	879	1,119	1,195	1,150	1,116
Interest capitalized	<u>(79)</u>	<u>(77)</u>	<u>(75)</u>	<u>(105)</u>	<u>(104)</u>
Earnings	<u>\$ (2,527)</u>	<u>\$ 1,486</u>	<u>\$ 3,042</u>	<u>\$ 2,239</u>	<u>\$ 2,520</u>
Fixed charges:					
Interest expense	\$ 525	\$ 402	\$ 362	\$ 355	\$ 286
Preferred stock dividend requirements	15	73	202	164	125
Portion of rental expense representative of the interest factor	<u>339</u>	<u>644</u>	<u>631</u>	<u>631</u>	<u>705</u>
Fixed charges	<u>\$ 879</u>	<u>\$ 1,119</u>	<u>\$ 1,195</u>	<u>\$ 1,150</u>	<u>\$ 1,116</u>
Ratio of earnings to fixed charges	<u>(a)</u>	<u>1.33</u>	<u>2.55</u>	<u>1.95</u>	<u>2.26</u>

(a) Earnings were inadequate to cover fixed charges by \$3.4 billion in 2001.

UAL CORPORATION ENTITIES

UAL Corporation
1200 East Algonquin Road
Elk Grove Township. IL 60007

	<u>Jurisdiction of Incorporation</u>	<u>Federal/Country Taxpayer I.D.</u>
UAL Corporation (Wholly-owned subsidiaries):	Delaware	36-2675207
Air Wis Services, Inc.	Wisconsin	39-1435586
Four Star Insurance Company, Ltd.	Bermuda	None
Four Star Leasing, Inc.	Delaware	36-4292248
UAL Benefits Management, Inc.	Delaware	36-4011347
United Air Lines, Inc.	Delaware	36-2675206
United Biz Jet Holdings, Inc.	Delaware	36-4448019
UAL Company Services, Inc.	Delaware	36-4402945
UAL Loyalty Services, Inc.	Delaware	36-4401481

United Air Lines, Inc.
1200 East Algonquin Road
Elk Grove Township, IL 60047

United Air Lines, Inc.

(Wholly-owned subsidiaries):

Covia LLC	Delaware	36-2675206
Kion de Mexico, S.A. de C.V.	Mexico	UAI-770831-AYI
Kion Leasing, Inc.	Delaware	36-2946443
Mileage Plus Holdings, Inc.	Delaware	36-4156229
Premier Meeting and Travel Services, Inc.	Delaware	36-4207846
United Aviation Fuels Corporation	Delaware	36-3235783
United Cogen, Inc.	Delaware	36-3333841
United GHS Inc.	Delaware	36-3555070
United Vacations, Inc.	Delaware	36-3324931
United Worldwide Corporation	Guam	66-0454431

**Air Wis Services, Inc.
(Wholly-owned subsidiaries):**

Air Wisconsin, Inc.	Wisconsin	39-1042730
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**Air Wis Services, Inc. (999 shares) and United Air Lines, Inc. (1 share)
(Subsidiary):**

Domicile Management Services, Inc.	Delaware	36-4097942
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Mileage Plus Holdings, Inc.

(Wholly-owned subsidiaries):

Mileage Plus, Inc.	Delaware	36-3189467
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Mileage Plus Marketing, Inc.	Delaware	36-4120103
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United BizJet Holdings, Inc.

(Wholly-owned subsidiaries)

BizJet Charter, Inc.	Delaware	36-4450498
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BizJet Fractional, Inc.	Delaware	36-4450494
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BizJet Services, Inc.	Delaware	36-4450499
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UAL Loyalty Services, Inc.

(Wholly-owned subsidiary)

MyPoints.com, Inc.	Delaware	94-3255692
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Covia LLC currently owns a 50% equity interest in the Galileo Japan Partnership, a Delaware general partnership.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in the UAL Corporation Form 10-K for the year ended December 31, 2001, into the Company's previously filed Post-Effective Amendment No. 1 to Form S-8 (File No. 2-67368), Post-Effective Amendment No. 2 to Form S-8 (File No. 33-37613), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-38613), Form S-8 (File No. 333-63185), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44552), Form S-8 (File No. 33-57331), Form S-8 (File No. 333-03041), Form S-8 (File No. 333-63181), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-44553), Form S-8 (File No. 33-62749), Form S-8 (File No. 333-52249), Form S-8 (File No. 333-63179), Post-Effective Amendment No. 1 to Form S-8 (File No. 33-59950), Form S-8 (File No. 333-03039), Form S-8 (File No. 333-47444), Form S-8 and Post-Effective Amendment No. 1 to Form S-8 (File No. 33-60675), Form S-8 and Post-Effective Amendment No. 1 to Form S-8 (File No. 333-52276), Form S-8 (File No. 333-74206) and Form S-8 (File No. 333-74208).

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois

March 6, 2002