

United's Proposed Changes to our Contract

On December 12th and 13th, United management met with the Members of the Union Coalition to provide a status of the airline and give each labor group a list of savings to reach management's suggested \$2.4 billion in annual labor savings.

Our legal and financial advisers are in consultation with the advisors from the Union Coalition and are now attempting to evaluate information contained in the company's presentations. They are, however, still awaiting detailed financial information on the initial concepts outlined by the company. Unfortunately, management provided incomplete and inconclusive information to AFA, and all of the Unions, which has caused a significant amount of time to be wasted.

AFA finds the company's list to be overreaching and unrealistic. Our negotiators are currently engaged in trying to obtain the information we need, and we stand ready to negotiate in good faith to provide United the savings needed for a successful reorganization.

Our goal continues to be, to have control and influence over changes to our Contract and to prevent United from petitioning the Court to change our pay, benefits, and work rules unilaterally.

The Company has indicated that nothing in its presentation is "take it or leave it," and that "there is room for negotiations."

An 1113 motion is a procedural step in a bankruptcy proceeding and is one that is often expected. The company announced this week that 1113 motions will be filed on December 26th. This filing is simply procedural and will not immediately change our Contract.

However, we are concerned that many of the Contractual issues targeted by the Company are neither necessary to the reorganization, nor are they fair and equitable. AFA will continue to negotiate with the company throughout the 1113 proceedings.

While we had hoped to gain clarity for you about the extensive list of Contractual changes initially presented by the Company, we are now aware that with or without clarity, each of these areas will be named in the 1113 filing on December 26, 2002. Therefore, although we do not have specific information about what will be required of Flight Attendants for United's successful reorganization, we do believe that it's important that you are aware of the Contractual changes that will be named through the 1113 motion.

The company's list of conceptual Contract changes is incredibly extensive and represents nearly every Section of our Contract. This list will change through negotiations. As you view this list, know that you will be able to participate in an on-line and phone-in survey starting Monday, December 23, 2000 at noon EST, to help guide the Financial Review Committee and AFA advisors in the final days of the talks, when the most difficult choices will be made. The survey will be completed by January 6, 2003 at noon EST. On Monday, instructions for completing the survey will be listed on our website, www.unitedafa.org, sent in AFA E-lines, or available through your Local Council.

Remember, AFA does not have clarification or specifics about the majority of targeted Contractual items listed. We will provide as much information as we have available throughout this difficult process. Continue seek the most current information and actively support our solidarity as we navigate this difficult time.



Section 1113(c) Proposal Term Sheet

AFA

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- Objective** Restructure the current Agreement to enable the transformation of United consistent with the announced business plan.
- Effective Date** The effective date of the new Agreement will be the first calendar day of the calendar month following the execution of the new collective bargaining agreement. [_____, 2003]
[_____]
- Term** The amendable date of the new Agreement will be [_____, 2009]. The provision in the Agreement concerning opening of negotiations will likewise be revised to [_____].
[Six years _____]
- Compensation** Discuss the following cost savings through compensation adjustments that will be necessary for the business plan:
- Eliminate the Section 5.B.1. and 5.P. and the Section 12.C.7.i. and l. premium increases scheduled for August 1, 2003 and August 1, 2004. Eliminate the 2% increase in Section 5.A.1. and 5.A.2. hourly rates for domestic and international flying scheduled for March 1, 2004.
 - Eliminate the Section 5.Q. Lump Sum payments scheduled for March 1, 2003 and March 1, 2005, the Letters of Agreement on pages 224 – 225 (A-Scale), 264 – 269 (Formula Adjustment Procedure) and 291 (Retroactive Pay).
 - Revise Section 5.A. hourly pay rates for domestic and international flying by reducing by 9% and eliminating Section 5.A.2. international rates of pay.
 - Revise Section 5.A. hourly pay rates by increasing by 1.5% beginning in [_____] and each year thereafter on the anniversary of the Effective Date until [_____, 200_]
 - Eliminate the following pay overrides:
 - Section 5.J. Ground Pay
 - Section 5.K. COLA and Letter of Agreement on page 260 regarding HNL COLA.

- Section 12.F.2. ORC

Revise the following pay overrides:

- Section 5.H. Understaffing Pay – Reduce pay. Section 9.C. – eliminate E/Y.
- Section 5.E. Reserve Override – Reduce pay.
- Section 8.H. Holding Time – Revise to provide triggered after 30 minutes and reduce pay.
- Revise Section 8.C. to provide that flight attendants shall be paid based only on actual time block-to-block.

Scope and Job Security

Discuss the following business flexibility enhancements that will be necessary in transforming United consistent with the business plan:

Low Cost Carrier Competitive Solution

Create a United Sub-brand that can be deployed in markets that are identified as “low cost” markets and in which there is an inability to segment fares; the result to be a product that is competitive with Frontier, Jet Blue, Southwest, ATA, etc.

Passenger Boarding Devices, Boarding Area and Cabin Duties

Enhance cooperation and efficiencies in the operation by revising Sections 1, 2.N. and 4.K. to eliminate restrictions and allow flight attendants to be assigned duties on passenger boarding devices, in boarding area and in cabin.

Scope Side Letter

Revise Scope Side Letter (Pages 293 – 294) to enable the Company to respond to rapidly changing industry environment as indicated by the business plan.

Furlough Protection

Revise Section 21.A. to provide that furlough on a voluntary basis in lieu of furloughs in inverse seniority order will be at Company discretion. Revise insurance, travel benefits and seniority accrual for voluntary furloughs to be provided at Company discretion.

Work Rules, Productivity and Efficiency

The following work rule changes will be necessary in transforming United consistent with the business plan:

Hours Maximums	Revise Sections 7.A., 9.D.3., 9.E.3.a. and 4.a., 9.I.2.b., 10.H.1., 12.G., 12.O.3., 12.P.1.a. and 2.a., 12.Q.2.b. and related Sections of the Agreement to increase scheduled, actual, optional monthly/quarterly maximums by 5 hours per month and/or 15 hours per quarter to 90/180/255 and 95/190/270 to permit more productivity.										
Lines of Flying Averages	Eliminate Section 9.A.3.a. and b.(1) and 9.A.9. to permit more flexibility.										
Expand Definition of Domestic Flying	Revise Section 2.G. and Z. to provide that the domestic flying definition will include Alaska, Canada, Caribbean Basin, Central America, Hawaii and Mexico. Eliminate Section 12.A.2. Revise Section 12.B.1.b. and the side letter on page 271 to realign the ratio of domestic/international block hours.										
Minimum Rest	Revise Section 7.D.2.b. to eliminate the two-for-one rest. Revise 12.M.2. to provide lineholders and reserves with 24 hours rest after 8:01 – 12:00 hours flight and deadhead and 36 hours rest after 12:00 hours.										
International Legal Rest Minimums	Revise Section 12.M.1.a. to eliminate the place of lodging minimums and modify block-to-block minimums as follows: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Flight and</th> <th style="text-align: left;">Block-to-Block</th> </tr> <tr> <th style="text-align: left;"><u>Deadhead Time</u></th> <th style="text-align: left;"><u>Minimums</u></th> </tr> </thead> <tbody> <tr> <td>08:00 or less</td> <td>= 11:00</td> </tr> <tr> <td>08:01-12:00</td> <td>= 18:00</td> </tr> <tr> <td>Over 12:00</td> <td>= 20:00</td> </tr> </tbody> </table> <p style="margin-left: 40px;">Eliminate Section 12.M.1.c.</p>	Flight and	Block-to-Block	<u>Deadhead Time</u>	<u>Minimums</u>	08:00 or less	= 11:00	08:01-12:00	= 18:00	Over 12:00	= 20:00
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Duty Times	Revise Sections 7.I.4. and 12.L.2.a. to provide a single duty day parameter of 14 hours scheduled/16 hours actual duty time to increase productivity.										
Reassignment Rights	Eliminate Section 8.I. Revise provisions of Sections 8, 9, and 12, and related sections of the agreement to eliminate restrictions on reassignment rights in order to maximize productivity consistent with the business plan.										

Reserve Days Off	Revise Section 10.D.1. to provide that the Company may move up to four (4) of a reserve's days off during each month to increase productivity.
Combine Reserve Pools	Revise Sections 10 and 12 and related Sections of the Agreement to establish one reserve pool for all flying at domiciles assigned domestic and international flying to increase productivity.
Last Quarter Maximum	Eliminate Section 10.H.2. and Section 12.V.6. to give the Company the ability to assign reserves in the last month of the quarter up to 90 hours or their quarterly maximum if higher.
Lines of Flying Construction	Eliminate or revise as applicable Sections 5.C., 8.J.4., 9.A.1., 12.E.2., 18.K.2., and related Sections of the Agreement to eliminate the minimum 65 hour guarantee.
Duty Rigs	Eliminate Section 8.A.1.,2.,3.,4., and 5., 8.K, N. Revise Section 8.C. to eliminate pay based on scheduled or actual and provide for pay based on actual time.
Time Away Rig	Revise Section 8.B. to 1:4.5.
Scheduling Restrictions	Eliminate Section 7., paragraphs D.,E., and F. and related Sections of the Agreement to remove the 8-in-24, 1-in-7 and 30-in-7 legality restrictions. Revise Section 12.K. to only allow for 24-in-7, and eliminate reference to "one calendar day".
Open Flying	Revise Section 9., paragraphs F.,G.,H. and I, Section 12.Q., and related Sections of the Agreement so that the Company has more flexibility to determine, modify and allocate open flying to ensure efficiency and productivity.
Preferential Bidding System	Revise Section 9 and related sections of the Agreement to implement a preferential bidding system to replace the current process.
<u>Benefits</u>	The following benefit changes will be necessary to transform United consistent with the business plan:
Flight Attendant Defined Benefit Pension Plan	Revise Section 34 and other provisions of the Agreement as necessary to replace current United Airlines Flight Attendant Defined Benefit Pension Plan with a Defined Benefit Pension Plan as provided in Exhibit A.
New 401(k)	Establish a 401(k) retirement plan as provided in Exhibit A.

Retiree Medical	Revise Section 33 and other provisions of the Agreement as necessary to provide that the employee contribution to the cost of retiree medical for pre and post Medicare retiree medical benefits is as provided in Exhibit A.
Retiree Life Insurance	Revise Section 33 and other provisions of the Agreement as necessary to provide retiree life insurance as provided in Exhibit A.
Medical/Dental Plan Equality	Revise Section 33 and other provisions of the Agreement as necessary to replace all current medical and dental plans with a uniform plan (or plans) to be available to all Company employees as set forth in Exhibit A.
Medical/Dental Plan Contribution	<p>Revise Section 33 and other provisions of the Agreement as necessary to provide that employees shall contribute 20% of the cost of coverage for all company-sponsored medical and dental plans.</p> <p>When an employee chooses a Medical HMO or Dental HMO option (if available), if the cost of the HMO or DHMO exceeds the cost the PPO, the employee share of the cost for the HMO or DHMO shall be equal to the employee share of the cost of the PPO option plus 100% of the additional cost.</p>
Flexible Spending Account	Current program of Health and Dependent Care Accounts, with maximum annual contribution of \$5,000 per account. Forfeitures to be used for plan administration.
Active Employee Life Insurance and AD&D	<p>Revise Agreement as necessary to provide consistent with Exhibit A:</p> <ul style="list-style-type: none">• Company paid Life Insurance: One times annual base pay (max \$200,000).• Contributory Life Insurance: Up to eight times annual base pay.• AD&D: Company-paid (none). Offer contributory coverage on same basis as current plan.
Per Diem	Revise Section 6.A. to reduce hourly per diem to \$1.50.
Vacation Accrual	Revise Section 18 to reflect a new accrual schedule with a maximum accrual of five weeks (35 days).

Vacation Overlap	Revise Sections 12 and 18 to provide that vacation pay shall be 2.6 hours per vacation day, and eliminate pay for trip value and the vacation overlap for lineholders; reserve vacation shall be paid at the daily reserve guarantee rate; revise vacation buy back to pay 2.6 hours per day.
“Me Too” Provision	Eliminate the vacation “me too” with Series 15 provided in Section 18.B.
Bulk Scheduling	Eliminate the “bulk scheduling” provision Section 9.A.7.
Layover Hotels	Revise Section 6 to eliminate the “downtown or downtown-like” lodging requirement for layovers of 13 hours and greater. Revise Section 7 to provide for 9 hours free from duty where layover hotel is approximately 15 minutes from the airport; 11 hours when more than approximately 15 minutes.
Holidays	Revise Section 2 designation of holidays to eliminate eight holidays in each paragraph; revise to provide that no flight attendant shall be eligible to be paid for more than two holidays in any calendar year.
Sick Leave and Medical Leave of Absence	Revise Agreement to provide that sick leave accrual, sick leave pay and medical leaves of absence shall be as provided under “Short Term Disability/Sick leave” in Exhibit A.
Long Term Disability	Revise Section 33 to provide for Long Term Disability as provided in Exhibit A.
Occupational Sick Leave	Eliminate all current provisions providing for occupational sick leave or injury leave and/or pay. Occupational injuries shall be treated as sickness and sick leave, and pay during such sick leave shall be available as provided under “Short Term Disability/Sick leave” in Exhibit A.
Furlough Pay	Revise Agreement as necessary to cap severance pay at a maximum of eight weeks.
Family Medical Leave	Revise Section 23 to require flight attendants to use vacation for all unpaid FML.

**Company-paid
Union Time** Revise Company-paid AFA flight pay loss.

Force Majeure [To be discussed]

**Grievance
Withdrawals** AFA to withdraw specified grievances with prejudice. List to be
provided.

Success Sharing To be determined

EXHIBIT __

BENEFITS

I. ACTIVE EMPLOYEES

A. MEDICAL

Preferred Provider Option (PPO)

In-Network

\$250 single/\$500 family deductible

80/20 coinsurance

\$1,250 single \$2,500 family out-of-pocket limit

Inpatient mental health and substance abuse treatment limited to 30 days per calendar year per person, out patient limited to 30 visits per calendar year per person.

Out-Patient physical therapy, speech therapy, chiropractic and similar therapy treatments limited to \$2,000 per person per calendar year.

Unlimited lifetime maximum

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

\$150 single/\$300 family deductible

60/40 coinsurance

\$1,000 single \$2,000 family out-of-pocket limit

Covered expenses limited by reasonable and customary

Inpatient mental health and substance abuse treatment limited to 15 days per calendar year per person, out patient limited to 15 visits per calendar year per person (not in addition to in-network)

Out-Patient physical therapy, speech therapy, chiropractic and similar therapy treatments limited to \$1,000 per person per calendar year (not in addition to in-network benefit)

\$500,000 lifetime maximum

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

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

to ensure consistency with medical necessity and generally accepted practice.

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

Full right of reimbursement

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

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

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

B. DENTAL

Provide current PPO dental plan

Deductible \$50 per person \$100 per family (doesn't apply to preventive)

100% Preventive

80% Restorative

50% major and orthodontia

Annual non-orthodontia max - \$2,000

Lifetime orthodontia max \$2,000

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

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

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

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

C. FLEXIBLE SPENDING ACCOUNT

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

D. LIFE INSURANCE

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

E. ACCIDENTAL DEATH AND DISMEMBERMENT

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

F. SHORT TERM DISABILITY/SICK LEAVE

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

G. LONG TERM DISABILITY

To be determined.

H. ILLNESS LEAVE OF ABSENCE

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

I. DEFINED BENEFIT PENSION PLAN

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

J. DEFINED CONTRIBUTION PENSION

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

K. VACATION

Modify the accrual schedule to the following:

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

II. RETIRED EMPLOYEES

A. RETIREE MEDICAL

Pre Medicare

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

PPO Option

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

Post-Medicare

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

B. RETIREE LIFE

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