



December 23, 2002

Dear Employee or Eligible Dependent:

During the past several months, United has been reviewing its travel policy to identify non-labor cost savings and revenue improvements consistent with the company's economic recovery efforts. As a result of this process, a revised travel policy has been developed that will contribute to United's financial stability.

We recognize the importance of pleasure travel benefits to everyone who enjoys them. In order to maintain these valued benefits in a financially challenging environment, it is necessary to implement the travel benefits changes described below.

Space-Available Write-Your-Own Pleasure Pass Travel

→ Reinstatement of Service Charges

Effective January 1, 2003, service charges for all classes of service on United flights worldwide will be implemented to a level that recovers United's cost for pleasure pass travel benefits. The service charges will not apply to pleasure pass travel on United Express. Reinstatement of service charges will save the company an estimated \$32 million USD per year.

Following is the new service charge formula table:

KEY

Y = (Economy)

F/C = (First Class on a 2-cabin aircraft and Business Class on a 3-cabin aircraft)

S = (First Class on a 3-cabin aircraft, also known as Sleeperette)

DEFINITIONS

Domestic travel includes travel within and between the 48 mainland United States plus Alaska, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. **Hawaii travel** includes travel to/from Hawaii only. **International travel** includes travel on all other routes.

Class	Domestic fixed base price	\$USD	Domestic cents per mile	\$USD
Y	\$ 3.75		\$ 0.004683	
F/C	\$ 6.33		\$ 0.011383	
S	\$ 8.96		\$ 0.014577	
Class	Hawaii fixed base price	\$USD	Hawaii cents per mile	\$USD
Y	\$ 6.00		\$ 0.002985	
F/C	\$ 19.54		\$ 0.006031	
S	\$ 23.08		\$ 0.006031	
Class	International fixed base price	\$USD	International cents per mile	\$USD
Y	\$ 7.25		\$ 0.005188	
F/C	\$ 17.31		\$ 0.011191	
S	\$ 18.23		\$ 0.015077	

Service Charge Formula:

Service charge = (point-to-point mileage multiplied by cents per mile) + fixed base price

NOTE: This formula does not include collectible transportation taxes and fees.

Example: Chicago (ORD) to Los Angeles (LAX) in Economy class
(1,744 total miles multiplied by \$0.004683 USD = 8.167152) + Fixed base price of \$3.75 USD
= \$11.92 USD service charge, excluding applicable taxes and fees.

To find out the service charges (excluding applicable taxes and fees) for a specific route, use the service charge calculator in the Travel section on SkyNet. Point-to-point mileage may be found in Apollo by keying M*OOODDD (Example: M*ORDLAX), or in the mileage table in the system timetable and may vary slightly depending on the source.

This benefit change applies to all employees and retirees who are eligible for pass travel benefits, including their eligible family members or surviving dependents.

Service charges will be deducted from your paycheck if you are an active employee on the U.S. payroll. If you are an active international ground employee, please contact your local management for information about how service charges will be deducted. Eligible employees on leaves of absence or furlough/surplus status, retirees and eligible surviving dependents will receive invoices at their home address for each month in which service charges are incurred. Paycheck stubs and invoices will include a detailed listing of the service charges per travel segment for pleasure pass travel beginning on or after January 1, 2003. Failure to pay invoiced service charges could result in suspension or revocation of your pass travel benefits.

→ Collection of Transportation Taxes and Fees

The U.S. Percentage Transportation Tax (7.5%), U.S. Domestic Segment Tax (\$3.00 USD) and the U.S. Security Services Fee (\$2.50 USD) will be collected for domestic pleasure pass travel on United flights on or after January 1, 2003. Other taxes/fees may also apply for international travel on United. Taxes and fees are subject to change and will be listed on your paycheck stub or invoice as a separate charge in addition to the service charges described above. There will be no collection of taxes and fees for pleasure pass travel on United Express. For more information about transportation taxes and fees, please refer to Series 10-Employee Travel on SkyNet.

Using the same example as above and adding the collection of transportation taxes and fees, the calculation would be as follows:

Example: Chicago (ORD) to Los Angeles (LAX) in Economy class
\$11.92 USD service charge* + (U.S. Percentage Transportation Tax .075 multiplied by the \$11.92 USD service charge) + \$3.00 USD (U.S. Domestic Segment Tax) + \$2.50 USD (U.S. Security Services Fee) = \$18.31 USD service charge including taxes and fees.

*See the Service Charge Formula at the top of this page for the complete service charge calculation and example.

Collection of Companion Travel Fees and Transportation Taxes

Companion travel fares, taxes and fees have always been collected, however the taxes and fees were embedded in the actual companion fare. Effective January 1, 2003 these taxes and fees, including the U.S. Percentage Transportation Tax (7.5%), U.S. Domestic Segment Tax (\$3.00 USD), the total Passenger Facilities Charge (\$3.00 to \$4.50 USD depending on the U.S. city of departure) and the U.S. Security Services Fee (\$2.50 USD), will be collected separately from the companion fare. These taxes and fees are subject to change and apply to companion

pass travel on United and United Express flights. Other taxes and fees for international companion travel on United may also apply. Taxes and fees will appear on your paycheck stub or invoice as a separate listing, in addition to the companion fare. Please note that furloughed or surplussed employees are not eligible for companion travel benefits.

Travel Policy Change For Employees On Paid/Unpaid Sick Leave Or Illness Leave Of Absence

Effective January 1, 2003, employees on the U.S. payroll who are on a paid/unpaid sick leave or illness leave of absence must obtain approval from their supervisor or manager before they or their eligible family members may travel using pleasure travel passes. However, eligible family members may travel for the first 30 days of such an absence without the supervisor's or manager's approval. International ground employees should contact their local management to find out how this travel policy will be applied at their location.

Another Travel Benefit Change Coming in March 2003

If you continue to be eligible for travel benefits, you will receive additional information in the near future regarding a change to the companion travel fare structure. Effective March 1, 2003, the companion travel fare structure will be changed from a cents per mile pricing structure to an ID-90 format. More information will be mailed to you prior to the implementation date.

Travel benefits policies are reviewed on an ongoing basis and are subject to change. Please remember that abuse or misuse of travel privileges by employees, their eligible family members or companions may result in corrective action and could include suspension or revocation of travel privileges, full-fare reimbursement, termination of employment and legal action.

For additional information about the travel benefits changes effective January 1, 2003, please read the enclosed Questions and Answers document. For other travel policy information, please refer to Series 10-Employee Travel which can be found in the Travel section on SkyNet or contact the Benefits Service Center at 1-800-482-5236 between 7 a.m. and 7 p.m. Central time, Monday through Friday.

Sincerely,

A handwritten signature in cursive script, appearing to read "Virginia Grady".

Virginia Grady
Director
Benefit Programs