

LOA 2: Lump Sum Payment

<date>

Sito Pantoja
General Vice President-Transportation
International Association of Machinists
& Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20722-2687

Dear Mr. Pantoja:

This confirms our understanding and agreement regarding lump sum payments to eligible employees within the Central Load Planners, Fleet Service Employees, Fleet Technical Instructors and Related Employees, Food Service, Maintenance Instructors, Passenger Service Employees, Security Officers, and Storekeepers crafts and classes (the “Eligible Crafts and Classes”) in connection with the ratification and execution of the tentative agreements dated April 4, 2016.

Part of the compensation package included in the 2016-2021 tentative agreements includes a \$100 million lump sum payment which will be paid contingent upon and after ratification to eligible IAM members in the Eligible Crafts and Classes.

Should the contract(s) ratify, United will provide to the IAM for review a list of eligible employees on the date of signing of the Agreement so that the distribution process can begin. United will also provide the IAM all payroll data and information reasonably requested by the Union in connection with developing the allocations to eligible employees. United Airlines agrees to pay the first distribution within 60 days of the date of signing of the ratified contracts. Should there be any contract(s) that fail to ratify, eligible employees under the ratified contracts will receive their shares in the same manner and amount as if all contracts had ratified.

We have agreed \$100,000,000 will be the total payment amount, and any fringe benefits or other deductions or payments (e.g., taxes, other than the employer’s share of FICA) that are legally or contractually required to be made or increased in amount because of the payments to individual employees herein will not increase the Company’s financial liability beyond the \$100,000,000.

All payments under this Letter of Agreement will be made separately from employees’ normal paychecks and will be subject to withholding of (i) applicable taxes as required by law; and (ii) Union dues, fees and assessments. The lump sum payments will not be considered pensionable earnings under either the IAM National Pension Plan or the Continental Retirement Plan, or eligible compensation for purposes of company contributions or company-matching contributions to any defined contribution (401k) plan(s). Employees may make individual contributions to the 401(k) plan(s).

United and IAM have agreed on the methodology for eligibility and allocation of the \$100,000,000 to employees. Eligible employees will receive an equal share per year of completed Company Service as of the date of signing of the Agreement, approximately \$200 per year of service. Eligible employees with less than one year of service will receive a minimum payment equal to a one-year share.

Employees in the following status on the date of signing of the Agreement will be considered eligible for the lump sum payment:

- Active
- Leaves of Absence
 - Educational (*Only includes educational leaves provided for in the CBA, does not include employees on a Company offered Special Leave*)
 - Illness
 - Military
 - Personal (*Only includes personal leaves provided for in the CBA, does not include employees on a Company offered Special Leave*)
- Temporary Assignments

To ensure that the Company's total liability or payments do not exceed the total payment amount a holdback amount shall be established which will be funded through withholding two percent (2.00%) of the \$100,000,000 to correct any errors or omissions in the allocation, calculation, and distribution of amounts to employees, as determined in the challenge process described below. Such errors or omissions will be paid by the Company from the holdback amount no later than 60 days after the date that the challenge process described below is fully concluded and becomes final and non-appealable. Any portion of the holdback fund that remains unpaid after satisfying any errors or omissions as determined in the challenged process shall be paid pro rata to eligible employees according to the allocation methodology.

Challenges, if not resolved by the IAM and United, will be decided by a neutral arbitrator selected by the IAM and United in the same manner as a neutral member of a System Board of Adjustment. If notwithstanding this challenge procedure, an employee brings an action or charge against the Union and/or the Company pertaining to the terms and/or application of this letter, the defending parties shall bear their own costs and fees associated with their defenses.

Please indicate your concurrence by signing one copy of this Letter of Agreement as indicated below, and returning it to the undersigned.

Sincerely,

/s/

P. Douglas McKeen
Senior Vice President, Labor Relations
United Airlines

Agreed, this [TBD]:

/s/

Sito Pantoja
General Vice President-Transportation
International Association of Machinists
& Aerospace Workers