

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:) Chapter 11
)
UAL CORPORATION, et al.,) Case No. 02-B-48191
) (Jointly Administered)
Debtors.)
) Honorable Eugene R. Wedoff

**ORDER PURSUANT TO SECTIONS 105(a), 363(b) AND 365 OF THE BANKRUPTCY
CODE AUTHORIZING THE DEBTORS TO CONTINUE THEIR KEY EMPLOYEE
RETENTION PROGRAM IN THE ORDINARY COURSE OF BUSINESS**

Upon the Motion¹ of the Debtors and no previous motion for the relief requested herein having been made; and upon consideration of the Motion; and due and proper notice of the Motion having been given; and it appearing that the relief requested is essential to the continued operation of the Debtors' businesses and in the best interests of the Debtors' estates and creditors; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and it appearing that venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and adequate notice of the Motion having been given; and it appearing that no other notice need be given; and after the Court having considered the modifications to the proposed KERP; and due deliberation and sufficient cause appearing therefor, it is hereby ORDERED that:

1. The Motion is granted.
2. To the extent that any objections to the Motion have not been withdrawn

or resolved such objections are hereby overruled.

¹ Capitalized terms used but not defined herein have the same meaning as in the Motion.

3. The Debtors are authorized but not required to implement and/or continue, as applicable, the KERP as described on Exhibits A and B attached hereto and to take all actions necessary to implement and/or continue, as applicable, the KERP.

4. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

5. Notwithstanding the possible applicability of Bankruptcy Rules 6004(g), 7062, 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

6. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

Dated: Chicago, Illinois
_____, 2003


United States Bankruptcy Judge

6 - FEB 2003

EXHIBIT A

UAL CORPORATION
Retention and Recognition Bonus Plan

I. **PURPOSE**

The purpose of this Retention and Recognition Bonus Plan (the "Plan") is to provide cash bonus payments that will encourage key employees with "mission critical" skills and competencies to continue their employment with UAL Corporation ("UAL") or any of its direct or indirect subsidiaries which adopt this Plan (collectively, the "Company") following the filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code and until they complete critical implementation duties and responsibilities in connection with the reorganization, rebuilding, repositioning and recovery of the Company.

II. **TERM**

This Plan is generally effective for the twenty-four month period beginning on the date of the filing by the Company of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code.

III. **PARTICIPATION**

Participation in this Plan is limited to active, regular full-time and part-time "management employees" of the Company who are formally selected by the Company and the Chief Executive Officer of UAL ("CEO") to be included in the Plan. The CEO is not eligible to participate in the Plan. The issue of Rosemary Moore, the Company's Senior Vice President - Corporate Affairs ("SVP-CA") eligibility to participate in the Plan is reserved until either (a) the Debtors, the Creditors' Committee and the AFA agree to her inclusion in the Plan or (b) the court enters an order authorizing her inclusion in the Plan. Selection of an employee, his or her bonus level and the dates during which the employee will participate in the Plan will be provided to each participating employee in writing. The total number of participants in the Plan may not exceed 350 without notice to the Official Committee of Unsecured Creditors of UAL Corporation (the "Creditors' Committee") and the Association of Flight Attendants ("AFA") and, if an objection is filed, approval of the Bankruptcy Court.

IV. **COMPUTATION AND PAYMENT OF THE BONUS**

A. The retention bonus amount payable to a participating employee will be determined based on the Tier to which the employee has been assigned and is computed by multiplying the employee's Annual Base Pay (as defined below) by the bonus percentage assigned to the employee, as follows:

<u>Tier</u>	<u>Percent of Annual Base Pay</u>
I	75% - 125%
II	40% - 60%
III	25% - 35%
IV	5%-20%

For other than Officers (defined below), assignment of a participating employee to a Tier and selection of a corresponding bonus percentage will be determined by, and in the sole discretion of, the Chief Executive Officer of UAL in light of each employee's mission critical skills, responsibilities and/or duties necessary to achieve the goals of the Company in successfully emerging from Chapter 11. An Officer's bonus percentage will be determined by the Compensation Committee of the Board of Directors of UAL Corporation. The aggregate amount of bonuses paid under this paragraph may not exceed Twenty Million Seven Hundred Thousand Dollars (\$20,700,000) without notice to the Creditors' Committee and the AFA and, if an objection is filed, approval of the Bankruptcy Court.

- B. In addition to the retention bonuses under paragraph (A), the CEO may, at any time during the term of the Plan, award a discretionary retention or recognition bonus to an employee selected by such CEO. The award will be subject to the terms and conditions of the written award letter provided to the employee. Awards under this paragraph (B) may not, in the aggregate, exceed Two Million Dollars (\$2,000,000).
- C. For purposes of this Plan, an "Officer" includes each officer of UAL, and any officer of an indirect or direct subsidiary of UAL who is an officer as that term is defined in Rule 16a-1(f) of the Securities and Exchange Act of 1934, as amended.
- D. For purposes of this Plan, an employee's Annual Base Pay is an amount equal to twelve (12) times the employee's monthly base rate of pay after the initial announced base pay reduction following the Company's filing for relief under Chapter 11 of the U.S. Bankruptcy Code.
- E. The bonus for other than Tier IV awards will be paid to the employee in two installments, less applicable withholdings, as follows:
 - 1. 50% in ten months following the effective date of this Plan;
 - 2. 50% upon the effectiveness of a confirmed plan of reorganization approved by the U.S. Bankruptcy Court.

Tier IV awards will be made in a single installment, less applicable withholdings, within ten months following the effective date of the Plan.

Notwithstanding the preceding, the Company reserves the right, in its sole discretion to delay the time for making bonus payments under this Paragraph (E), however, the Company may not accelerate the payment of bonuses under this Paragraph (E) without notice to the Creditors' Committee and the AFA and, if an objection is filed, approval of the Bankruptcy Court.

- F. The liability to make the payment(s) under Paragraph (E) will be that of the employer of the employee at the time of the award or a successor in interest to such entity.

V. **OTHER TERMS AND CONDITIONS**

- A. No bonus will be payable until this Plan is approved by the U.S. Bankruptcy Court.
- B. A bonus payable under this Plan will not affect or be affected by any payment the employee may be eligible for and may receive under the Company's severance plan(s), if any.
- C. No bonus will be paid to an employee who, prior to the date the bonus is payable to the employee under this Plan (including any date specified by the Company in the award notice):
 - 1. voluntarily terminates employment with the Company, including by furlough or retirement;
 - 2. voluntarily transfers to a non-eligible job classification, including a transfer to a position subject to a collective bargaining agreement;
 - 3. is involuntarily terminated for cause; or
 - 4. is on personal or educational leave.
- D. An employee will be paid only the next scheduled bonus payment provided under Section IV above (subject to any limit imposed by federal law on the amount of severance payable to such employee) in the event:
 - 1. the participating employee's employment with the Company is involuntarily terminated (other than for cause), including by furlough; or
 - 2. the participating employee is involuntarily transferred to a non-eligible job classification, including transfer to on-call status or a position subject to a collective bargaining agreement.
- E. Nothing contained in the Plan will prohibit or interfere with the Company's right to assign projects, tasks and responsibilities to any employee or to alter the nature of the Company's rights with respect to the employee's employment relationship, including the right to terminate any employee at any time, with or without prior notice, and for any reason within the constraints of existing law.
- F. A bonus payable under this Plan will not be taken into account in determining benefits under any other employee benefit plan, or short term incentive compensation plan such as PIP.

VI. **AMENDMENT OR TERMINATION**

The Company reserves the right to terminate this Plan at any time. The Company will amend this Plan only upon further court order.

VII. **ADMINISTRATION**

The Company has full power and authority, in its sole discretion, to construe, interpret and administer this Plan. Decisions of the Company shall be final, conclusive and binding on all parties.

EXHIBIT B

UAL Corporation
Executive Severance Policy

I. PURPOSE

To effectively complete the financial recovery, full focus and attention of the current executive team is needed. A competitive severance policy can be a strong retention device. The purpose of the Executive Severance Policy ("ESP") is to, among other things, provide executives with a defined severance program that will allow them to focus on the issues at hand, knowing that should severance occur, they will be treated fairly and consistently. The current estimated cost of the ESP is approximately \$7.3 million.

II. PARTICIPATION

Participation in the Executive Severance Policy is as described below:

Component	Executive Vice Presidents & Senior Vice Presidents	Vice Presidents	Directors
Salary	2 years for EVPs and the 3 SVPs who report directly to the CEO; 18 months for other SVPs	2 weeks/year of service Min: 6 months Max: 15 months	2 weeks/year of service Min: 3 months Max: 12 months
Bonus	None	None	None
Flight/Healthcare	Equal to Severance Period	Equal to Severance Period	
Pension Credit	None of the participants in the ESP will receive any pension participation credit (for benefit accrual purposes) beyond their termination date (whether under the ESP or any other program or policy of the Debtors). All participants will receive pension service credit (for all purposes other than benefit accrual purposes) during the salary continuation period of the ESP. Up to no more than 3 officers and 8 directors under the ESP who are presently over age 50, may receive pension service credit in excess of their salary continuation period in order to qualify for early retirement under the pension plan. For example, assuming one of the group of 11 participants under the ESP is terminated without cause, and is age 52 and has 10 years of pension participation credit at the time of his termination, he would receive pension service credit for 3 years so that when he attains age 55 he would qualify for early retirement under the pension plan. The severance pay he receives would not be factored into his Final Average Pay and he would be credited with only his ten years of pension participation he had accrued under the Debtors' pension plans to his date of termination.		

Qualifications for Plan Participation

In the event an employee is terminated involuntarily, "not for Cause", severance will be paid.

In the event an employee is terminated "for Cause", no severance will be paid.

In the event that an employee is eligible and elects to continue employment with the Company pursuant to a collective bargaining agreement following such employee's termination as an Executive or Senior Vice President, Vice President or Director, no severance will be paid.