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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 Wedoff

STIPULATION AND AGREED ORDER BY AND BETWEEN CERTAIN AIRCRAFT  
FINANCIERS AND THE DEBTORS PERMITTING THE DEBTORS TO RETURN  
CERTAIN UNENCUMBERED ENGINES AND PROPELLERS TO SUCH FINANCIERS  
AS REPLACEMENT ENGINES AND PROPELLERS, AND REGARDING OTHER  
MATTERS

WHEREAS, prior to December 9, 2002 (the "Petition Date"), Air Wisconsin, Inc. ("Air Wisconsin"), one of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), entered into various aircraft lease agreements (the "Lease Agreements"), pursuant to which Air Wisconsin leased three British Aerospace ATP Transport aircraft, registration numbers N854AW, N855AW and N856AW (including all associated parts, the "Aircraft");

WHEREAS, on September 14, 1993, UAL Corporation ("UAL"), one of the above-captioned debtors and debtors in possession, entered into various letter agreements (the "Letter Agreements"), pursuant to which UAL guaranteed Air Wisconsin's obligations under the Lease Agreements;

WHEREAS, prior to the Petition Date, each of British Aerospace Holdings Inc. ("Holdings") and British Aerospace Public Limited Company ("P.L.C.") entered into certain guarantee agreements (the "British Aerospace Guarantees"), pursuant to which Holdings agreed to guarantee certain obligations and responsibilities of Air Wisconsin under the Lease

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Agreements and P.L.C. agreed to guarantee certain obligations and responsibilities of Holdings under the British Aerospace Guarantees;

WHEREAS, on the Petition Date, the Debtors filed a Motion for Entry of an Order Authorizing the Debtors to (A) Reject Certain Aircraft and Engine Leases Pursuant to Section 365 of the Bankruptcy Code and (B) Abandon Certain Aircraft and Engines Pursuant to Section 554 of the Bankruptcy Code (the "Aircraft Rejection Motion") [Docket No. 22] pursuant to which the Debtors sought authority to reject the Aircraft as well as other aircraft;

WHEREAS, the Aircraft Rejection Motion was granted by Order dated December 16, 2002 (the "Rejection Order") subject to objections to conditional relief permitted thereunder;

WHEREAS, HypoVereinsbank, as Noteholder, ABN AMRO Bank N.V., as Noteholder, and Wachovia Bank, N.A., as Security Trustee for the Noteholders ("Wachovia"), (collectively, the "ATP Parties") each filed an objection to the conditional relief granted in the Rejection Order (collectively, the "Objections");

WHEREAS, the Aircraft Rejection Motion states that the Debtors will return the Aircraft and the corresponding engines to the ATP Parties;

WHEREAS, the Debtors represent that (1) pursuant to an Aircraft Storage and Maintenance Agreement, dated January 27, 2000, between Air Wisconsin and British Aerospace Asset Management, Inc. ("BAE"), BAE has parked and stored the Aircraft with Kingman Airline Services in Kingman, Arizona ("Kingman"), one of the Debtors' normal storage locations, for approximately three years, (2) the Aircraft have not been operated post-petition, and (3) the Aircraft have been available since the Petition Date for the ATP Parties to take possession;

WHEREAS, the Debtors do not have in their possession (i) three of the engines originally delivered with two of the Aircraft (the "Misplaced Engines"), identified by serial numbers

124388 (relating to N855AW), 124399 and 124400 (each relating to N856AW) and (ii) six of the propellers originally delivered with the three Aircraft (the "Misplaced Propellers" and, together with the Misplaced Engines, collectively, the "Misplaced Engines and Propellers");

WHEREAS, the Debtors sold multiple ATP aircraft to West Air Sweden ("West Air") several years prior to the Petition Date, and the Debtors believe that the Misplaced Engines and Propellers may be in West Air's possession;

WHEREAS, the Debtors have three engines (serial numbers 124224, 124413 and 124423) and six propellers (serial numbers 4A424858, 4A424891, 4A424892, AC6159, 4A424860 and 4A424866) which are affixed to the Aircraft, and the Debtors have offered to provide such engines and propellers as suitable replacements for the Misplaced Engines and Propellers (the "Replacement Engines and Propellers");

WHEREAS, the Debtors' Federal Aviation Administration (the "FAA") counsel has conducted a lien search and, as a result of such search, has informed the ATP Parties that the Replacement Engines and Propellers are free and clear of any liens, security interests and encumbrances of record with the FAA;

WHEREAS, the Debtors represent that the Replacement Engines and Propellers are of de minimis value to the Debtors' estates since, among other things, the Debtors do not operate these aircraft and these aircraft are of limited utility to most other airlines;

WHEREAS, under Section 6.11(ii) of the Revolving Credit, Term Loan and Guaranty Agreement, dated as of December 24, 2002, among the Debtors and the Debtors' debtor in possession lenders (collectively, the "DIP Lenders") (the "DIP Credit Agreement"), the Debtors are permitted to dispose of "surplus, obsolete, negligible or uneconomical assets (including,

without limitation, aircraft, engines, spare engines and spare parts) no longer used in the business of the [Debtors];”

WHEREAS, under Section 5.01 of the Aircraft, Spare Engines and Spare Parts Mortgage and Security Agreement, dated as of December 24, 2002, made by United Air Lines, Inc. (one of the Debtors) in favor of the DIP Lenders’ co-collateral agents (the “Security Agreement”), the co-collateral agents for the DIP Lenders (the “Collateral Agents”) have agreed to release the DIP Lenders’ liens on collateral that is disposed of in accordance with the DIP Credit Agreement; and

WHEREAS, the Debtors have provided the Collateral Agents with actual notice of this Stipulation and Agreed Order and the Collateral Agents have indicated their willingness to execute the lien releases in accordance with the DIP Credit Agreement and the Security Agreement;

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and between the undersigned parties, subject to the approval of this Court, that:

1. The ATP Parties consent to the relief provided in the Rejection Order in accordance with and subject to the terms contained herein.

2. Any provision of the Rejection Order that conflicts with the terms contained herein shall not apply to the ATP Parties in connection with the rejection of the Lease Agreements, and any definition of a term herein that conflicts with the definition of a term in the Rejection Order shall supersede the definition in the Rejection Order with respect to the ATP Parties, the Aircraft and the Replacement Engines and Propellers.

3. By entry of this Stipulation and Order, (a) Wachovia shall take, and the Debtors hereby grant and convey to Wachovia, as Indenture Trustee, possession of the Aircraft, the Original Engines and the Replacement Engines and Propellers, and (b) Wilmington Trust

Company, as Owner Trustee ("Wilmington"), shall take, and the Debtors hereby grant and convey to Wilmington, title to the Aircraft, the Original Engines and the Replacement Engines and Propellers, free and clear of all liens, security interests and encumbrances other than the liens created pursuant to certain Security Agreement-Trust Deeds between Wilmington and Wachovia in favor of Wachovia.

4. In accordance with the conditions set forth herein and based on the representations and warranties of the Debtors with respect to the Replacement Engines and Propellers set forth herein, the ATP Parties consent to the substitution of the Replacement Engines and Propellers for the Misplaced Engines and Propellers.

5. The Debtors are authorized and directed by this Court to transfer and convey possession of the Aircraft, the Original Engines and the Replacement Engines and Propellers to Wachovia and to transfer and convey title to the Aircraft, the Original Engines and the Replacement Engines and Propellers to Wilmington.

6. The conveyance to Wachovia and Wilmington of the Replacement Engines and Propellers in accordance with Paragraphs 3 and 5 above shall satisfy all of the Debtors' obligations to return the Misplaced Engines and Propellers with the Aircraft. Paragraph 6 of the Rejection Order is not applicable to the Replacement Engines and Propellers, the Aircraft or the three original engines presently in the Debtors' possession (the "Original Engines").

7. The ATP Parties agree to relinquish any and all claims against the Debtors (subject to the rights of the ATP Parties as provided in Paragraph 13 below), West Air or any other party in possession of the Misplaced Engines and Propellers, on account of or related to the Misplaced Engines and Propellers.

8. The Debtors' rejection of the Lease Agreements with respect to the Aircraft, the Original Engines and the Replacement Engines and Propellers shall be effective as of January 14, 2003 (the "Effective Date").

9. The parties acknowledge and agree that, prior to the Approval Date (as defined below), the ATP Parties requested, and the Debtors provided the ATP Parties with, the opportunity to inspect the Aircraft and the Replacement Engines and Propellers.

10. The Debtors shall deliver to the ATP Parties all logs, records and documents (a) not already delivered to the ATP Parties and (b) in the Debtors' possession and control, relating to the (i) Aircraft, (ii) Original Engines, and (iii) Replacement Engines and Propellers (the "Records") no later than five (5) days after entry of this Stipulation and Agreed Order by this Court (the "Approval Date"). No later than five (5) days after the Approval Date, the Debtors shall direct any non-Debtor party acting at the instruction of the Debtors and in possession or control of any Records to deliver such Records to the ATP Parties. The Debtors shall also deliver to the ATP Parties such other related documents as the ATP Parties may reasonably request, no later than ten (10) days after such request; provided, however, that the ATP Parties shall bear any costs relating to the preparation, execution or delivery of such additional documents.

11. The ATP Parties' Objections are hereby resolved. In addition, the Motion of Wachovia Bank, National Association, Formerly Known as First Union National Bank, as Security Trustee, for an Order Conditioning the Use of Property pursuant to Sections 361, 363(e) and 50(b) of the Bankruptcy Code is hereby withdrawn solely with respect to the Aircraft.

12. The Debtors agree, and are hereby authorized, to execute any and all documents and to take any other action necessary to implement the terms of this Stipulation and Agreed

Order including, without limitation, the execution of any necessary lien releases and lease and sublease terminations; provided, however, that the ATP Parties shall be solely responsible for all costs associated with such lien release or lease termination document, if any.

13. The rights of the ATP Parties to file proofs of unsecured claims and to assert claims under Sections 503 and 507(b) of the Bankruptcy Code regarding the Aircraft transactions that are the subject of this Stipulation and Agreed Order are hereby reserved and shall be filed within ninety (90) days after entry of this Stipulation and Agreed Order; provided, however, that any right to assert an administrative claim shall be limited to the claims (if any) that accrued between the Petition Date and the Effective Date; provided further, however, that the Debtors reserve the right to contest any claims against the Debtors. Nothing in this Stipulation and Agreed Order shall be construed as a limitation of the ATP Parties' rights regarding transactions between the ATP Parties and the Debtors other than those transactions affected by this Stipulation and Agreed Order.

14. Nothing herein shall prejudice any of the rights and remedies of the ATP Parties against any non-Debtor parties under the Letter Agreements and the British Aerospace Guarantees, all of which are hereby reserved.

15. This Stipulation and Agreed Order is conditioned upon, and shall not be effective before, the approval of this Court.

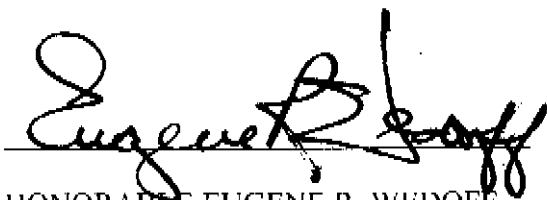
16. Each of the undersigned counsel represents that he/she is authorized to execute this Stipulation and Agreed Order on behalf of his/her respective client.

17. This Stipulation and Agreed Order may be executed in multiple counterparts, any of which may be transmitted by facsimile, and each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

18. This Stipulation and Agreed Order shall not be modified, altered, amended or vacated without written consent of all parties hereto. Any such modification, alteration, amendment or vacation, in whole or in part, shall be subject to the approval of this Court.

19. This Court shall retain jurisdiction to resolve any disputes or controversies arising from or related to this Stipulation and Agreed Order. Any motion or application brought before this Court to resolve a dispute arising from or related to the Stipulation and Agreed Order shall be brought on proper notice and in accordance with relevant Federal Rules of Bankruptcy Procedure and the local rules of this Court.

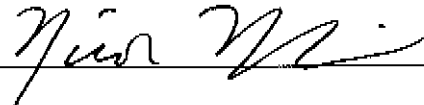
IT IS SO ORDERED this \_\_\_\_ day  
of \_\_\_\_\_, 2003



HONORABLE EUGENE R. WEDOFF  
UNITED STATES BANKRUPTCY JUDGE

27 FEB 2003

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