

## **LOA #28 – Lump Sum**

December 21, 2016

Captain David Bourne  
Director, Airline Division  
International Brotherhood of Teamsters  
25 Louisiana Avenue, N.W.  
Washington, DC 20001

Dear Captain Bourne:

This confirms our understanding and agreement regarding lump sum payments to eligible employees in the Technicians and Related Craft or Class and the Flight Simulator Technician and Related Employees in connection with the ratification and execution of the 2015-20XX collective bargaining agreement (the “Agreement”).

1. We have agreed that eligible employees will receive lump sum payments totaling in the aggregate \$185,000,000 contingent upon ratification and execution of the Agreement, as soon as practicable following execution of the Agreement, subject to the provisions set forth below. The \$185,000,000 will be the total payment amount, and any fringe benefits or other deductions or payments (e.g., taxes) 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 \$185,000,000. The lump sum payments will not be considered pensionable earnings under the Continental Retirement Plan, or eligible compensation for purposes of employee contributions or company contributions to any defined contribution (401k) plan(s).

2. The methodology for eligibility and allocation of the \$185,000,000 to eligible employees is described in paragraph 9 below. The Union will provide a list to the Company of eligible employees and dollar amount allocation (of the \$185,000,000, less the Holdback Amount described in paragraph 3) to be paid to each eligible employee on the list pursuant to the methodology. United will provide the Union payroll data and information reasonably requested by the Union in connection with developing the allocations to eligible employees.

3. To ensure that the Company’s total liability or payments do not exceed the total payment amount of \$185,000,000, a holdback amount shall be established which will be funded through withholding three percent (3.00%) of the \$185,000,000 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 30 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.

4. All payments under this Letter of Agreement may be made separately from eligible employees' normal paychecks and will be subject to all applicable withholding, including (i) applicable taxes as required by law, and (ii) Union dues, fees and assessments.

5. Any dispute over the methodology for allocation prescribed by this Letter of Agreement, or over individual employees' eligibility for allocations from the \$185,000,000 or the amount of any individual allocation, will be exclusively subject to the dispute procedure below, will be considered a "minor dispute" under the Railway Labor Act, and will not be the subject to the regular grievance procedure under the Agreements. Any employee who wishes to raise such a challenge must, instead of filing a grievance as defined by the Agreement, present that claim in writing to the Union's Airline Division Director or designated International Representative no later than sixty (60) calendar days after the date of issuance of the retroactive payments. Any challenge to an eligibility or allocation determination presented after 60 days will not be honored or considered in any manner for correction, and the determination will be deemed correct with no further recourse for such employee.

6. All employee challenges under this Letter of Agreement will be considered together for correction in a single proceeding by a single neutral arbitrator, selected in advance by the Union and the Company. If the Union and the Company cannot agree on an arbitrator for this purpose, the parties will choose an arbitrator from a panel provided by the National Mediation Board, consisting of no fewer than seven arbitrators. The Union will pay for all costs of the arbitration other than the Company's representation costs and the costs of representation, if any, chosen by employees to assist them with their challenges under this Letter of Agreement.

7. All challenges must be submitted in writing with any necessary documentation and calculations explaining the basis for the challenge and the amount the employee claims to be owed. Challenges shall be submitted to the arbitrator by a deadline date announced to the arbitrating parties by the arbitrator. The Union and Company may then provide any responses by a deadline date announced by the arbitrator. The arbitrator shall conduct a hearing affording a fair opportunity for all parties to be heard and present their case. The arbitrator shall then determine within 30 calendar days of the conclusion of the hearing whether any of the employee challenges are valid, and if so, what amount each employee is entitled to from the holdback amount. The arbitrator's decision on timely challenges shall have no impact on any employee who did not make a timely challenge, and no claim shall arise based on the arbitrator's decision or award. The arbitrator's determination(s) on the challenges shall be final and binding on all parties and employees. The arbitrator shall have no authority to add to, subtract from, or otherwise revise this letter or any other provision of the parties' Agreement. In no event shall the Company's aggregate liability or payments exceed the total payment amount of \$185,000,000.

8. No employee will have any claim against the Company based either on the Company's agreeing to this Letter of Agreement or on the methodology for eligibility and allocation of the \$185,000,000. If notwithstanding the exclusive and binding nature of the challenge procedure described in this Letter of Agreement, an employee brings an action or charge against the Union and/or the Company pertaining to the terms and/or application of this letter, whether before, during or after the pendency of the proceeding or issuance of the arbitrator's decision, the defending parties shall bear their own costs and fees associated with their defenses.

9. Allocation methodology

Basis of Distribution: Each Eligible Employee will receive a pro rata share of the lump sum based on the Eligible Employee's Considered Earnings for the period specified below to the aggregate of all Considered Earnings for all Eligible Employees over the same period.

Considered Earnings: "Considered Earnings" shall be the same as under the Company's Profit Sharing Plan.

Eligible Employees: "Eligible Employees" means all employees covered by the IBT JCBA who are employed as of the date of ratification and who are members in good standing of the IBT.

Period: Period in which Considered Earnings will be measured begins July 1, 2013 and ends on August 31, 2016.

Sincerely,

P. Douglas McKeen  
Senior Vice President, Labor Relations

Captain David Bourne  
Director, Airline Division  
International Brotherhood of Teamsters

AGREED, this day of December 5, 2016