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World Headquarters

FAA-02-13918-10

RECEIVED
FEBRUARY 14 2001
COMM-FACILITY

January 17, 2001

Passenger Facility Charge Branch (APP-530)
Attn: Joseph Hebert
Airports Financial Assistance Division
Federal Aviation Administration
Room 619
800 Independence Avenue, S.W.,
Washington, DC 20591

Dear Mr. Hebert:

Please find enclosed a revised United Airlines Handling Charge Cost Data Analysis. Due to a spreadsheet calculation error in the "2000 Actual Costs" column, "Credit Card Fees" row, the previously submitted cost analysis misstates the 2000 "Cost Less Interest/PFC Remitted" and "Cost Less Interest/PFC Collected". Please note that there are no other changes to the original analysis.

Please feel free to contact me at (847) 700-1809 with any questions or if I can be of further assistance.

Sincerely,

A handwritten signature in cursive script that reads 'Emmy Lou Johnson'.

Emmy Lou Johnson
Manager, Sales Audit and Control

**FAA Request for PFC Information
United Airlines - (thru 1999 Actual, 2000-2002 Forecast)**

| | Actual Costs 1999 ¹ | | 1999 Pro-Forma ² | | Implementation Costs ³ | 2000* Actual Costs for 6 Months | Full Year Costs 2000 (6 A + 6 F) ^{4,5} | Forecast 2001 ^{5,6} | Forecast 2002 ^{5,7} | | | | | |
|---|--------------------------------|-------------|-----------------------------|-------------|--------------------------------------|------------------------------------|--|------------------------------|------------------------------|-------------|--------------------|-------------|---------------------|-------------|
| Credit Card Fees | \$3,673,857 | 50% | \$5,510,784 | 60% | | \$2,139,355 | 52% | \$4,278,710 | 52% | \$5,697,804 | 58% | \$7,718,478 | 60% | |
| Audit Fees (External) | 68,500 | 1% | 68,500 | 1% | 27,500 | 8% | 35,620 | 1% | 71,240 | 1% | 73,163 | 1% | 74,993 | 1% |
| Disclosure Costs | 49,465 | 1% | 49,465 | 1% | | | 26,060 | 1% | 52,119 | 1% | 54,597 | 1% | 57,081 | 0% |
| Reservations (RSSRs) | 1,537,665 | 21% | 1,537,665 | 17% | | | 857,631 | 21% | 1,715,262 | 21% | 1,796,805 | 18% | 1,878,560 | 15% |
| Passenger Services (CSRs) | 565,297 | 8% | 565,297 | 6% | | | 305,928 | 7% | 611,856 | 7% | 626,534 | 6% | 655,041 | 5% |
| Data Entry: | | | | | | | | | | | | | | |
| Internal | 8,483 | 0% | 8,483 | 0% | | | 4,268 | 0% | 8,536 | 0% | 8,755 | 0% | 8,965 | 0% |
| Other (ARC + BSP) | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | - | 0% |
| Revenue Accounting | 66,420 | 1% | 66,420 | 1% | | | 40,028 | 1% | 80,055 | 1% | 82,216 | 1% | 84,272 | 1% |
| Accounts Payable | 12,973 | 0% | 12,973 | 0% | | | 7,957 | 0% | 15,914 | 0% | 16,344 | 0% | 16,752 | 0% |
| Tax & Legal | 35,000 | 0% | 35,000 | 0% | | | 18,078 | 0% | 36,155 | 0% | 37,131 | 0% | 38,059 | 0% |
| Corporate Property Dept | 107,971 | 1% | 107,971 | 1% | | | 55,443 | 1% | 110,886 | 1% | 113,880 | 1% | 116,727 | 1% |
| Training: | | | | | | | | | | | | | | |
| Reservations (RSSRs) | 52,943 | 1% | 52,943 | 1% | | | 18,012 | 0% | 36,025 | 0% | 53,886 | 1% | 56,337 | 0% |
| Other | 413 | 0% | 413 | 0% | - | 0% | 207 | 0% | 413 | 0% | 424 | 0% | 435 | 0% |
| Ticket Agents (CSRs) | 56,120 | 1% | 56,120 | 1% | | | 23,792 | 1% | 47,585 | 1% | 65,853 | 1% | 68,849 | 1% |
| Internal On-Going IT | 3,420 | 0% | 3,420 | 0% | | | 1,766 | 0% | 3,533 | 0% | 3,512 | 0% | 3,690 | 0% |
| CRS On-Going fees | 698,958 | 9% | 698,958 | 8% | | | 356,468 | 9% | 712,937 | 9% | 727,196 | 7% | 741,740 | 6% |
| PFC Absorption | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | - | 0% |
| ATPCO | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | 741,740 | 6% |
| ARC + BSP | 432,037 | 6% | 432,037 | 5% | \$42,210 | 12% | 233,270 | 6% | 466,540 | 6% | 488,719 | 5% | 497,523 | 4% |
| Internal One-Time IT update | - | 0% | - | 0% | 151,040 | 41% | - | 0% | - | 0% | - | 0% | - | 0% |
| CRS One-Time update | - | 0% | - | 0% | 144,870 | 40% | - | 0% | - | 0% | - | 0% | - | 0% |
| Interest Revenue on Float | (679,949) | n/a | (1,029,239) | n/a | | | (432,814) | n/a | (865,628) | n/a | (1,053,028) | n/a | (1,363,236) | n/a |
| TOTAL COSTS | \$7,369,521 | 100% | \$9,206,448 | 100% | \$365,620 | 100% | \$4,123,883 | 100% | \$8,247,767 | 100% | \$9,846,820 | 100% | \$12,759,243 | 100% |
| TOTAL COSTS LESS INTEREST | 6,689,572 | n/a | 8,177,209 | n/a | 365,620 | n/a | 3,691,069 | n/a | 7,382,139 | n/a | 8,793,793 | n/a | 11,396,007 | n/a |
| | | | | | | | | | 6.57% | | 2.00% | | 2.00% | |
| Number of PFCs Remitted | 67,929,591 | | 67,929,591 | | 72,393,056 | | 36,196,528 | | 72,393,056 | | 73,840,918 | | 75,317,736 | |
| Number of PFCs Collected | 76,064,708 | | 76,064,708 | | 82,139,407 | | 41,069,703 | | 82,139,407 | | 83,782,195 | | 85,457,839 | |
| | | | | | | | | | 7.99% | | 2.00% | | 2.00% | |
| Cost Less Interest / PFC Remitted | \$0.0985 | | \$0.1204 | | \$0.0051 | | \$0.1020 | | \$0.1020 | | \$0.1191 | | \$0.1513 | |
| YOY Change | | | | | | | | | 3.5% | | 16.8% | | 27.1% | |
| Cost Less Interest / PFC Collected | \$0.0879 | | \$0.1075 | | \$0.0045 | | \$0.0899 | | \$0.0899 | | \$0.1050 | | \$0.1334 | |
| YOY Change | | | | | | | | | 2.2% | | 16.8% | | 27.1% | |

**FAA Request for PFC Information
United Airlines - (thru 1999 Actual, 2000-2002 Forecast)**

| | Actual Costs 1999 ¹ | 1999 Pro-Forma ² | Implementation Costs ³ | 2000* Actual Costs for 6 Months | Full Year Costs 2000 (6 A + 6 F) ^{4, 5} | Forecast 2001 ^{5, 6} | Forecast 2002 ^{5, 7} |
|--------------------------------------|--------------------------------|-----------------------------|-----------------------------------|---------------------------------|--|-------------------------------|-------------------------------|
| Absorption | \$2,725,217 | | | \$1,438,878 | \$2,877,755 | \$2,935,310 | \$2,994,016 |
| Cost Less Interest / PFC Remitted | \$0.040 | | | \$0.040 | \$0.040 | \$0.040 | \$0.040 |
| Cost Less Interest / PFC Collected | \$0.036 | | | \$0.035 | \$0.035 | \$0.035 | \$0.035 |
| ASM growth rate | | | | | 2.0% | 2.0% | 2.0% |
| "CPI - Urban" from WEFA ⁸ | | | | | 3.3% | 2.7% | 2.5% |

For any carrier specific "issues"

Notes:

- 1 - Actual costs incurred. Agreed upon procedures have been applied by the independent accountant to actual 1999 costs.
- 2 - Assumes the same volume as 1999, but with 100% of PFCs Collected at \$4.50 per PFC -- this **only** impacts Credit Card Fees and Interest Revenue.
- 3 - For any costs associated with the implementation of the new maximum \$4.50 PFC rate. This column is not year specific.
- 4 - 6 months of 2000 are actual with 6 months of forecast.
- 5 - Does not include any one time IT Costs (Implementation Costs).
- 6 - Assumes 3 months with 100% of PFCs Collected at \$3. Assumes 9 months with 50% at \$3 and 50% at \$4.50.
- 7 - Assumes 12 months with 100% of PFCs at \$4.50.
- 8 - WEFA US Economic Outlook 2000-05 - US Cycle Monitor, September 2000, page 201, All Items - Urban Wage Earners. Application of an inflation index or other index will be evaluated in the rulemaking process and, if allowed, may apply only to selected cost components (e.g., labor costs). Please indicate which cost components have been adjusted by the specified CPI or other index and why.



ARTHUR ANDERSEN

Mr. Eric C. Gabler
Manager – Passenger Facility Charge Branch
Federal Aviation Administration
800 Independence Avenue, Southwest
Room 619
Washington, DC 20591

Arthur Andersen LLP

33 West Monroe Street
Chicago IL 60603-5385

Tel 312 580 0033

www.arthurandersen.com

January 4, 2001

Dear Eric:

Please find enclosed an updated final version of the agreed-upon procedures we performed related to United Air Lines, Inc.'s 1999 passenger facility charges cost data. This report supersedes the version sent to you last Friday, December 30, 2000. The only change between the versions relates to a correction made in the "Results of Work Performed" section on page 18 of Attachment I.

Please feel free to call me at (312) 507-2637 if you have any questions or if I can be of further assistance.

Very truly yours,

Dirk J. Locascio

Cc: Christina Lando, United Air Lines, Inc.



World Headquarters

December 28, 2000

Passenger Facility Charge Branch (APP-530)
Attn: Joseph Hebert
Airports Financial Assistance Division
Federal Aviation Administration
Room 619
800 Independence Avenue, S.W.,
Washington, DC 20591

To Whom It May Concern:

Enclosed is the United Airlines Handling Charge Cost Data Analysis together with the independent auditor's report. Please contact me at (847) 700-1809 with any questions. Thank you.

Sincerely,

A handwritten signature in cursive script that reads 'Emmy Lou Johnson'.

Emmy Lou Johnson
Manager – Sales Audit and Control

**FAA Request for PFC Information
United Airlines - (thru 1999 Actual, 2000-2002 Forecast)**

| | Actual Costs 1999 ¹ | | 1999 Pro-Forma ² | | Implementation Costs ³ | | 2000* Actual Costs for 6 Months | | Full Year Costs 2000 (6 A + 6 F) ^{4, 5} | | Forecast 2001 ^{5, 6} | | Forecast 2002 ^{5, 7} | |
|---|--------------------------------|-------------|-----------------------------|-------------|-----------------------------------|-------------|---------------------------------|-------------|---|-------------|-------------------------------|-------------|-------------------------------|-------------|
| | | | | | | | | | | | | | | |
| Credit Card Fees | \$3,837,774 | 51% | \$5,756,660 | 61% | | | \$4,152,499 | 68% | \$8,304,998 | 68% | \$5,697,804 | 58% | \$7,718,478 | 60% |
| Audit Fees (External) | 68,500 | 1% | 68,500 | 1% | 27,500 | 8% | 35,620 | 1% | 71,240 | 1% | 73,163 | 1% | 74,993 | 1% |
| Disclosure Costs | 49,465 | 1% | 49,465 | 1% | | | 26,060 | 0% | 52,119 | 0% | 54,597 | 1% | 57,081 | 0% |
| Reservations (RSSRs) | 1,537,665 | 20% | 1,537,665 | 16% | | | 857,631 | 14% | 1,715,262 | 14% | 1,796,805 | 18% | 1,878,560 | 15% |
| Passenger Services (CSRs) | 565,297 | 8% | 565,297 | 6% | | | 305,928 | 5% | 611,856 | 5% | 626,534 | 6% | 655,041 | 5% |
| Data Entry: | | | | | | | | | | | | | | |
| Internal | 8,483 | 0% | 8,483 | 0% | | | 4,268 | 0% | 8,536 | 0% | 8,755 | 0% | 8,965 | 0% |
| Other (ARC + BSP) | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | - | 0% |
| Revenue Accounting | 66,420 | 1% | 66,420 | 1% | | | 40,028 | 1% | 80,055 | 1% | 82,216 | 1% | 84,272 | 1% |
| Accounts Payable | 12,973 | 0% | 12,973 | 0% | | | 7,957 | 0% | 15,914 | 0% | 16,344 | 0% | 16,752 | 0% |
| Tax & Legal | 35,000 | 0% | 35,000 | 0% | | | 18,078 | 0% | 36,155 | 0% | 37,131 | 0% | 38,059 | 0% |
| Corporate Property Dept | 107,971 | 1% | 107,971 | 1% | | | 55,443 | 1% | 110,886 | 1% | 113,880 | 1% | 116,727 | 1% |
| Training: | | | | | | | | | | | | | | |
| Reservations (RSSRs) | 52,943 | 1% | 52,943 | 1% | | | 18,012 | 0% | 36,025 | 0% | 53,886 | 1% | 56,337 | 0% |
| Other | 413 | 0% | 413 | 0% | - | 0% | 207 | 0% | 413 | 0% | 424 | 0% | 435 | 0% |
| Ticket Agents (CSRs) | 56,120 | 1% | 56,120 | 1% | | | 23,792 | 0% | 47,585 | 0% | 65,853 | 1% | 68,849 | 1% |
| Internal On-Going IT | 3,420 | 0% | 3,420 | 0% | | | 1,766 | 0% | 3,533 | 0% | 3,512 | 0% | 3,690 | 0% |
| CRS On-Going fees | 698,958 | 9% | 698,958 | 7% | | | 356,468 | 6% | 712,937 | 6% | 727,196 | 7% | 741,740 | 6% |
| PFC Absorption | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | 741,740 | 6% |
| ATPCO | - | 0% | - | 0% | | | - | 0% | - | 0% | - | 0% | - | 0% |
| ARC + BSP | 432,037 | 6% | 432,037 | 5% | \$42,210 | 12% | 233,270 | 4% | 466,540 | 4% | 488,719 | 5% | 497,523 | 4% |
| Internal One-Time IT update | - | 0% | - | 0% | 151,040 | 41% | - | 0% | - | 0% | - | 0% | - | 0% |
| CRS One-Time update | - | 0% | - | 0% | 144,870 | 40% | - | 0% | - | 0% | - | 0% | - | 0% |
| Interest Revenue on Float | (679,949) | n/a | (1,029,239) | n/a | | | (432,814) | n/a | (865,628) | n/a | (1,053,028) | n/a | (1,363,236) | n/a |
| TOTAL COSTS | \$7,533,438 | 100% | \$9,452,324 | 100% | \$365,620 | 100% | \$6,137,027 | 100% | \$12,274,055 | 100% | \$9,846,820 | 100% | \$12,759,243 | 100% |
| TOTAL COSTS LESS INTEREST | 6,853,489 | n/a | 8,423,085 | n/a | 365,620 | n/a | 5,704,213 | n/a | 11,408,427 | n/a | 8,793,793 | n/a | 11,396,007 | n/a |
| | | | | | | | | | 6.57% | | 2.00% | | 2.00% | |
| Number of PFCs Remitted | 67,929,591 | | 67,929,591 | | 72,393,056 | | 36,196,528 | | 72,393,056 | | 73,840,918 | | 75,317,736 | |
| Number of PFCs Collected | 76,064,708 | | 76,064,708 | | 82,139,407 | | 41,069,703 | | 82,139,407 | | 83,782,195 | | 85,457,839 | |
| | | | | | | | | | 7.99% | | 2.00% | | 2.00% | |
| Cost Less Interest / PFC Remitted | \$0.1009 | | \$0.1240 | | \$0.0051 | | \$0.1576 | | \$0.1576 | | \$0.1191 | | \$0.1513 | |
| YOY Change | | | | | | | | | 56.2% | | -24.4% | | 27.1% | |
| Cost Less Interest / PFC Collected | \$0.0901 | | \$0.1107 | | \$0.0045 | | \$0.1389 | | \$0.1389 | | \$0.1050 | | \$0.1334 | |
| YOY Change | | | | | | | | | 54.2% | | -24.4% | | 27.1% | |

**FAA Request for PFC Information
United Airlines - (thru 1999 Actual, 2000-2002 Forecast)**

| | Actual Costs 1999 ¹ | 1999 Pro-Forma ² | Implementation Costs ³ | 2000* Actual Costs for 6 Months | Full Year Costs 2000 (6 A + 6 F) ^{4, 5} | Forecast 2001 ^{5, 6} | Forecast 2002 ^{5, 7} |
|---|--------------------------------|-----------------------------|-----------------------------------|---------------------------------|---|-------------------------------|-------------------------------|
| Absorption | \$2,725,217 | | | \$1,438,878 | \$2,877,755 | \$2,935,310 | \$2,994,016 |
| Cost Less Interest / PFC Remitted | \$0.040 | | | \$0.040 | \$0.040 | \$0.040 | \$0.040 |
| Cost Less Interest / PFC Collected | \$0.036 | | | \$0.035 | \$0.035 | \$0.035 | \$0.035 |
| ASM growth rate | | | | | 2.0% | 2.0% | 2.0% |
| *CPI - Urban* from WEFA ⁸ | | | | | 3.3% | 2.7% | 2.5% |

For any carrier specific "issues"

Notes:

- 1 - Actual costs incurred. Agreed upon procedures have been applied by the independent accountant to actual 1999 costs.
- 2 - Assumes the same volume as 1999, but with 100% of PFCs Collected at \$4.50 per PFC -- this **only** impacts Credit Card Fees and Interest Revenue.
- 3 - For any costs associated with the implementation of the new maximum \$4.50 PFC rate. This column is not year specific.
- 4 - 6 months of 2000 are actual with 6 months of forecast.
- 5 - Does not include any one time IT Costs (Implementation Costs).
- 6 - Assumes 3 months with 100% of PFCs Collected at \$3. Assumes 9 months with 50% at \$3 and 50% at \$4.50.
- 7 - Assumes 12 months with 100% of PFCs at \$4.50.
- 8 - WEFA US Economic Outlook 2000-05 - US Cycle Monitor, September 2000, page 201, All Items - Urban Wage Earners. Application of an inflation index or other index will be evaluated in the rulemaking process and, if allowed, may apply only to selected cost components (e.g., labor costs). Please indicate which cost components have been adjusted by the specified CPI or other index and why.



United Air Lines, Inc.

Agreed-Upon Procedures on Passenger Facility

Charges Incremental Costs

December 31, 1999

Together with Independent Public Accountants' Report

**INDEPENDENT PUBLIC ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To United Air Lines, Inc. and
the Federal Aviation Administration:

We have performed the procedures enumerated in Attachment I, which were agreed to by **United Air Lines, Inc.** (the "Company") and the Federal Aviation Administration ("FAA"), solely to assist you in evaluating the accompanying schedule of incremental costs directly associated with Passenger Facility Charges ("PFC") collection, handling, remittance, reporting, recordkeeping and auditing for the year ended December 31, 1999. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the FAA and the Company. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment I either for the purpose for which this report has been requested or for any other purpose.

See Attachment I for the procedures performed on this engagement and the related results.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, with respect to the calculations described in Attachment I, we express no assurance as to the propriety of the methodologies employed in determining the amounts expressed in the accompanying schedule of incremental costs, or on the assumptions and estimates used in the specific calculations.

This report is intended solely for the information and use of the Board of Directors and management of the Company and the FAA, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois
December 28, 2000

**PASSENGER FACILITY CHARGES AGREED-UPON PROCEDURES
WORK PERFORMED AND RELATED RESULTS
December 28, 2000**

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed |
|----------------|--|--|--|
| 1. | Obtain a summary schedule from United of all costs attributed to the collection and administration of passenger facility charges ("PFC"), by expense caption, for the year ended December 31, 1999. | <ul style="list-style-type: none"> We obtained the "FAA Request for PFC Information" schedule detailing all costs attributable to the collection and administration of PFC's, by expense caption, for the year ended December 31, 1999. | <ul style="list-style-type: none"> See Attachment II for the "FAA Request for PFC Information" schedule. |
| 2. | Obtain a schedule from United of the total dollar amount of PFC's collected, refunded, and remitted for the year ended December 31, 1999 and agree the total to a United system generated report. We will calculate the number of PFC's collected for the year by dividing the total dollar amount of PFC's collected by \$3. | <ul style="list-style-type: none"> We obtained the "PFC Collected" worksheet detailing the total dollar amount of PFC's collected, refunded, and remitted by month for the year ended December 31, 1999. We calculated the number of PFC's collected for the year by dividing the total dollar amount of PFC's collected by \$3. | <ul style="list-style-type: none"> We agreed the year-to-date total per the "PFC Collected" worksheet to the "United Air Lines, Inc. Schedule of Passenger Facility Charges Collected, Withheld, Refunded/Exchanged and Remitted for the Year Ended December 31, 1999, noting no differences. We calculated the number of PFC's collected for the year by dividing the total dollar amount of PFC's collected of \$228,194,125 by \$3 to obtain the number of PFC's collected of 76,064,708. We agreed the calculated number of PFC's collected to the amount in the schedule obtained in step 1., noting no differences. |
| 3. | We will obtain a schedule from United of the total dollar amount of interest income earned by the company on PFC funds it held between the time of collection from passengers and the time of remittance to and receipt by the airport(s) (or the refund of the PFC funds to passengers) for the year ended December 31, 1999. | <ul style="list-style-type: none"> We obtained the "Interest Revenue" schedule detailing the total dollar amount of interest income earned by United on PFC funds held from the time of collection from passengers to the time of remittance or refund. | <ul style="list-style-type: none"> See step 5.n. for results of work performed related to interest income. |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | |
|-------------------------------------|--|---|--|-------------------------------------|----|---------------|--------------------------------|----|-----------------------|------------------------|----|--------------------------------|-----------------------------|----|-------------|
| 4. | We will test the summation of the total 1999 costs, as reported on the schedule obtained in step 1., for clerical accuracy. | <ul style="list-style-type: none"> We recalculated the total costs and total costs less interest, as reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | |
| 5.a | <i>Credit Card Fees</i> | | | | | | | | | | | | | | |
| 5.a.i. | Obtain from United, a schedule containing the breakout of total sales by month, for the year ended December 31, 1999, separated between cash sales and credit card sales, and agree two months of sales to the general ledger. | <ul style="list-style-type: none"> We obtained a report generated from United's revenue system (PRIMS) which breaks out all of the processed sales for the year ended December 31, 1999 into cash sales and credit card sales. | <ul style="list-style-type: none"> Per discussion with United personnel, the report from PRIMs is the most accurate breakout of cash and credit card sales. However, the total year-end sales per this report is not directly reflected in the general ledger due to adjustments made to the processed sales amounts. | | | | | | | | | | | | |
| 5.a.ii. | Recalculate, based on the schedule obtained in step 5.a.i., the percentage of credit card sales as a portion of total sales for the year. | <ul style="list-style-type: none"> We recalculated the percentage of credit card sales as a portion of total sales for the year. | <ul style="list-style-type: none"> Based on the information obtained in step 5.a.i., we recalculated the percentage of credit card sales as a portion of total sales for the year ended December 31, 1999 as follows: <table data-bbox="2281 1036 2784 1137"> <tr> <td>Cash Sales</td> <td>\$</td> <td>3,888,119,703</td> </tr> <tr> <td>Credit Card Sales</td> <td></td> <td><u>14,323,201,923</u></td> </tr> <tr> <td>Total Sales</td> <td>\$</td> <td>18,211,321,626</td> </tr> </table> <p style="margin-left: 40px;">% of Credit Card Sales 78.65% * ~ 79%</p> <p style="margin-left: 40px;">* (\$14,323,201,923 / \$18,211,321,626)</p> | Cash Sales | \$ | 3,888,119,703 | Credit Card Sales | | <u>14,323,201,923</u> | Total Sales | \$ | 18,211,321,626 | | | |
| Cash Sales | \$ | 3,888,119,703 | | | | | | | | | | | | | |
| Credit Card Sales | | <u>14,323,201,923</u> | | | | | | | | | | | | | |
| Total Sales | \$ | 18,211,321,626 | | | | | | | | | | | | | |
| 5.a.iii. | Recalculate "PFC dollars collected via credit card sales" for the year ended December 31, 1999 by multiplying total PFC dollars collected less PFC dollars refunded, from the schedule obtained in step 2., by the percentage calculated in step 5.a.ii. | <ul style="list-style-type: none"> We recalculated "PFC dollars collected via credit card sales" for the year ended December 31, 1999. | <ul style="list-style-type: none"> We recalculated "PFC dollars collected via credit card sales" as follows: <table data-bbox="2281 1346 2915 1479"> <tr> <td>PFC Dollars Collected less Refunded</td> <td></td> <td></td> </tr> <tr> <td>(\$228,194,125 - \$19,780,596)</td> <td>\$</td> <td>208,413,529</td> </tr> <tr> <td>% of Credit Card Sales</td> <td></td> <td><u> x 79%</u></td> </tr> <tr> <td>PFC Dollars on Credit Cards</td> <td>\$</td> <td>163,917,212</td> </tr> </table> | PFC Dollars Collected less Refunded | | | (\$228,194,125 - \$19,780,596) | \$ | 208,413,529 | % of Credit Card Sales | | <u> x 79%</u> | PFC Dollars on Credit Cards | \$ | 163,917,212 |
| PFC Dollars Collected less Refunded | | | | | | | | | | | | | | | |
| (\$228,194,125 - \$19,780,596) | \$ | 208,413,529 | | | | | | | | | | | | | |
| % of Credit Card Sales | | <u> x 79%</u> | | | | | | | | | | | | | |
| PFC Dollars on Credit Cards | \$ | 163,917,212 | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed |
|----------------|---|---|---|
| 5.a.iv. | Recalculate the "credit card discount expense" related to PFC dollars collected via credit card sales, as calculated in step 5.a.iii., by the average credit card discount percentage, as determined by United. | <ul style="list-style-type: none"> We recalculated the "credit card discount expense" related to PFC dollars collected via credit card sales, as calculated in step 5.a.iii., by the average credit card discount percentage, as determined by United. | <ul style="list-style-type: none"> We recalculated "credit card discount expense" as follows: PFC Dollars on Credit Cards \$ 163,917,212 Discount Rate <u> x </u> 2.27% Credit Card Discount Expense \$ 3,720,921 We traced the 2.27% "Discount Rate" to an unaudited schedule prepared by United and noted no differences. |
| 5.a.v. | Recalculate "bad debt expense" related to PFC's for 1999 by multiplying the PFC dollars collected via credit card sales, as calculated in step 5.a.iii, by the bad debt rate, as determined by United. | <ul style="list-style-type: none"> We recalculated "bad debt expense" related to PFC's for 1999. United calculates the chargeback rate based on total sales, not revenues. Therefore, United is calculating the expense based on actual PFC's collected as opposed to the amount calculated in step 5.a.iii. | <ul style="list-style-type: none"> We recalculated "bad debt expense" as follows: PFC Dollars on Credit Cards * \$ 179,474,648 Chargeback (Bad Debt) Rate <u> x </u> 0.0651% Chargeback Expense \$ 116,853 We traced the 0.0651% "Chargeback Rate" to an unaudited schedule prepared by United and noted no differences. * We recalculated this amount as follows: PFC Dollars Collected \$ 228,194,125 % of Credit Card Sales <u> x </u> 79% PFC Dollars on Credit Card Sales \$179,474,648 |
| 5.a.vi. | Sum the credit card discount expense, calculated in step 5.a.iv., and the bad debt expense, calculated in step 5.a.v., for 1999 and agree the total to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We summed the credit card discount expense and the bad debt expense and agreed the total to the schedule obtained in step 1. | <ul style="list-style-type: none"> We summed total credit card fees as follows: Credit Card Discount Expense \$ 3,720,921 Chargeback Expense <u> </u> 116,853 Total Credit Card Fees \$ 3,837,774 We agreed total "Credit Card Fees" per the above calculation to the respective amount reported on the schedule obtained in step 1., noting no differences. |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed |
|----------------|--|---|--|
| 5.b. | <i>Audit Fees</i> | | |
| 5.b.i. | Agree the fees, reported on the schedule obtained in step 1., to Arthur Andersen bills (or schedule of fees) for the audit, agreed-upon procedures and/or any additional charges related to PFC's for 1999. | <ul style="list-style-type: none"> We agreed total "Audit Fees (External)" of \$68,500 to Arthur Andersen bills for the PFC Audit and Agreed-Upon Procedures performed for the year ended December 31, 1999. | <ul style="list-style-type: none"> We noted no differences. |
| 5.c. | <i>PFC Disclosure</i> | | |
| 5.c.i. | Obtain from United, a summary of all disclosure cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a listing of all disclosure cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. |
| 5.c.ii. | Agree the total costs from the schedule obtained in step 5.c.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.c.i. to the "Disclosure Costs" amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. |
| 5.c.iii. | Recalculate disclosure costs for 1999, using United's methodology and assumptions, which considers number of media units containing PFC information, cost per media unit and portion of ad space attributed to PFC language. | <ul style="list-style-type: none"> We recalculated disclosure costs for 1999, using United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated disclosure cost related to PFC's for 1999 as advertising expenditures containing PFC disclosures of \$9,893,000 (208 regional ads at an estimated average cost of \$36,000 each and 37 national ads at an estimated average cost of \$65,000 each) multiplied by United's estimate of the portion attributed to PFC's of 0.50% for total disclosure costs of \$49,465. |
| 5.d. | <i>Reservations</i> | | |
| 5.d.i. | Obtain from United, a summary of all reservations cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all reservations cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. |
| 5.d.ii. | Agree the total costs from the schedule obtained in step 5.d.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.d.i. to the "Reservations (RSSRs)" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|---------------------------------------|--|---------------------------|------------|---|------|--------------------------------|--|--|--|--|-----------|--|--------|---|--|--|---------------------|---|--|---------------------------|------------|---|------|--------------------------------|--|--|--|--|-----------|---|--------|---------------------------------------|--------|---|--|--|------------------|-----------------------------------|--|--|---------------------|
| 5.d.iii. | Recalculate reservations expense for 1999 by multiplying the total number of PFC's collected for 1999, as calculated in step 2., by United's estimate of the labor cost involved in addressing each customer inquiry regarding PFC's and applicability to tickets, telecommunications charges and United's estimate of the number of PFC's impacted by customer inquiries. | <ul style="list-style-type: none"> We recalculated reservations cost for 1999. | <ul style="list-style-type: none"> We recalculated reservations cost related to PFC's for 1999 as follows: <table border="0" style="width: 100%;"> <tr> <td colspan="2"><i>Reservation Cost for Purchases</i></td> </tr> <tr> <td>Number of PFC's Collected</td> <td style="text-align: right;">76,064,708</td> </tr> <tr> <td>United's Estimate of Calls with PFC Questions</td> <td style="text-align: right;">x 2%</td> </tr> <tr> <td colspan="2">Total Cost per Minute *</td> </tr> <tr> <td colspan="2">* (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18)</td> </tr> <tr> <td></td> <td style="text-align: right;">x \$ 0.96</td> </tr> <tr> <td>United's Estimate of Minutes per Inquiry</td> <td style="text-align: right;">x 1.00</td> </tr> <tr> <td colspan="2">Total Reservation Cost for Purchases</td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 1,465,567</td> </tr> <tr> <td colspan="2"> <i>Reservation Cost for Refunds</i></td> </tr> <tr> <td>Number of PFC's Collected</td> <td style="text-align: right;">76,064,708</td> </tr> <tr> <td>United's Estimate of Calls with PFC Questions</td> <td style="text-align: right;">x 2%</td> </tr> <tr> <td colspan="2">Total Cost per Minute *</td> </tr> <tr> <td colspan="2">* (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18)</td> </tr> <tr> <td></td> <td style="text-align: right;">x \$ 0.96</td> </tr> <tr> <td>United's Estimate of Minutes per Refund</td> <td style="text-align: right;">x 0.50</td> </tr> <tr> <td>2000 Refund Rate (1999 rate was 8.7%)</td> <td style="text-align: right;">x 9.8%</td> </tr> <tr> <td colspan="2">Total Reservation Cost for Refunds</td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 72,098</td> </tr> <tr> <td colspan="2"> Total Reservation Cost</td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 1,537,665</td> </tr> </table> | <i>Reservation Cost for Purchases</i> | | Number of PFC's Collected | 76,064,708 | United's Estimate of Calls with PFC Questions | x 2% | Total Cost per Minute * | | * (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18) | | | x \$ 0.96 | United's Estimate of Minutes per Inquiry | x 1.00 | Total Reservation Cost for Purchases | | | \$ 1,465,567 | <i>Reservation Cost for Refunds</i> | | Number of PFC's Collected | 76,064,708 | United's Estimate of Calls with PFC Questions | x 2% | Total Cost per Minute * | | * (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18) | | | x \$ 0.96 | United's Estimate of Minutes per Refund | x 0.50 | 2000 Refund Rate (1999 rate was 8.7%) | x 9.8% | Total Reservation Cost for Refunds | | | \$ 72,098 | Total Reservation Cost | | | \$ 1,537,665 |
| <i>Reservation Cost for Purchases</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of PFC's Collected | 76,064,708 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimate of Calls with PFC Questions | x 2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Cost per Minute * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| * (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | x \$ 0.96 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimate of Minutes per Inquiry | x 1.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Reservation Cost for Purchases | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ 1,465,567 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Reservation Cost for Refunds</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of PFC's Collected | 76,064,708 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimate of Calls with PFC Questions | x 2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Cost per Minute * | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| * (telecom - \$0.14; non-telecom - \$0.64, salary and fringe - \$0.18) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | x \$ 0.96 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimate of Minutes per Refund | x 0.50 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000 Refund Rate (1999 rate was 8.7%) | x 9.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Reservation Cost for Refunds | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ 72,098 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Reservation Cost | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | \$ 1,537,665 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.e. | <i>Passenger Service</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.e.i. | Obtain from United, a summary of all passenger service cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all passenger service cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.e.ii. | Agree the total costs from the schedule obtained in step 5.e.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.e.i. to the "Passenger Service (CSRs)" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | |
|--|--|---|--|---------------------------------|--|----------|--------------------------------|---|------------|--|---|------|---|---|------|--|--|------------|
| 5.e.iii. | Recalculate passenger service expense for 1999 by multiplying the total number of PFC's collected for 1999, as calculated in step 2., by United's estimate of the labor cost to explain to customers the applicability of PFC's to their journey and the issuance of their tickets when the reservation is made or the purchase is made at a ticket office, as well as adding in all costs related to time and materials associated with the issuance of related documents, such as refunds and exchanges. | <ul style="list-style-type: none"> We recalculated passenger service expense for 1999. United's methodology differs from the work plan at left. The revised calculation is detailed in the "Results of Work Performed" section at right. | <ul style="list-style-type: none"> We recalculated passenger service expense related to PFC's for 1999 as follows: <table data-bbox="2231 661 2952 862"> <tr> <td>Salary and Fringe Cost per Hour</td> <td></td> <td>\$ 19.12</td> </tr> <tr> <td>Estimated Number of Passengers</td> <td>x</td> <td>88,695,000</td> </tr> <tr> <td>United's Estimate of Passengers With PFC Questions</td> <td>x</td> <td>2.0%</td> </tr> <tr> <td>United's Estimated % of Hours per Inquiry</td> <td>x</td> <td>1.7%</td> </tr> <tr> <td><i>Total Passenger Service Expense</i></td> <td></td> <td>\$ 565,297</td> </tr> </table> | Salary and Fringe Cost per Hour | | \$ 19.12 | Estimated Number of Passengers | x | 88,695,000 | United's Estimate of Passengers With PFC Questions | x | 2.0% | United's Estimated % of Hours per Inquiry | x | 1.7% | <i>Total Passenger Service Expense</i> | | \$ 565,297 |
| Salary and Fringe Cost per Hour | | \$ 19.12 | | | | | | | | | | | | | | | | |
| Estimated Number of Passengers | x | 88,695,000 | | | | | | | | | | | | | | | | |
| United's Estimate of Passengers With PFC Questions | x | 2.0% | | | | | | | | | | | | | | | | |
| United's Estimated % of Hours per Inquiry | x | 1.7% | | | | | | | | | | | | | | | | |
| <i>Total Passenger Service Expense</i> | | \$ 565,297 | | | | | | | | | | | | | | | | |
| 5.f. | <i>Data Entry, Revenue Accounting, Accounts Payable and Tax</i> | | | | | | | | | | | | | | | | | |
| 5.f.i. | Obtain from United, a summary of all data entry cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all data entry cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | |
| 5.f.ii. | Agree the total costs from the schedule obtained in step 5.f.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.f.i. to the "Data Entry Internal" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|---|--|--|-------------------------------------|--------|---------------------------|------|-------------------|------------|--|------|--|----------|-----------------------------|--|--------------------------|----------|---|------|---------------------------|------|-----------------------------------|----------|-------------------------------|----------|
| 5.f.iii. | Recalculate the data entry costs for 1999, based on United's methodology and assumptions, which incorporate estimates of managerial, staff, and clerical employee time spent related to PFC's, entering data and supplies costs. | <ul style="list-style-type: none"> We recalculated data entry costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated data entry costs related to PFC's for 1999 as follows: <table data-bbox="2225 661 2915 862"> <tr> <td colspan="2"><i>Sales, Refunds and Exchanges Cost</i></td> </tr> <tr> <td>Average Ticket Processing per Month</td> <td>33,125</td> </tr> <tr> <td>Number of Months per Year</td> <td>x 12</td> </tr> <tr> <td>Amount per Ticket</td> <td>x \$ 0.345</td> </tr> <tr> <td>United's Estimate of PFC Portion of the Keying</td> <td>x 5%</td> </tr> <tr> <td><i>Total Sales, Refunds and Exchanges Cost</i></td> <td>\$ 6,857</td> </tr> </table> <table data-bbox="2225 899 2915 1100"> <tr> <td colspan="2"><i>Sales Balancing Cost</i></td> </tr> <tr> <td>Hourly Rate for Employee</td> <td>\$ 11.29</td> </tr> <tr> <td>United's Estimated Number of Hours per Month Spent on Sales Balancing</td> <td>x 12</td> </tr> <tr> <td>Number of Months per Year</td> <td>x 12</td> </tr> <tr> <td><i>Total Sales Balancing Cost</i></td> <td>\$ 1,626</td> </tr> </table> <table data-bbox="2225 1137 2915 1173"> <tr> <td><i>Total Data Entry Costs</i></td> <td>\$ 8,483</td> </tr> </table> | <i>Sales, Refunds and Exchanges Cost</i> | | Average Ticket Processing per Month | 33,125 | Number of Months per Year | x 12 | Amount per Ticket | x \$ 0.345 | United's Estimate of PFC Portion of the Keying | x 5% | <i>Total Sales, Refunds and Exchanges Cost</i> | \$ 6,857 | <i>Sales Balancing Cost</i> | | Hourly Rate for Employee | \$ 11.29 | United's Estimated Number of Hours per Month Spent on Sales Balancing | x 12 | Number of Months per Year | x 12 | <i>Total Sales Balancing Cost</i> | \$ 1,626 | <i>Total Data Entry Costs</i> | \$ 8,483 |
| <i>Sales, Refunds and Exchanges Cost</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Average Ticket Processing per Month | 33,125 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Months per Year | x 12 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amount per Ticket | x \$ 0.345 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimate of PFC Portion of the Keying | x 5% | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total Sales, Refunds and Exchanges Cost</i> | \$ 6,857 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Sales Balancing Cost</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hourly Rate for Employee | \$ 11.29 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United's Estimated Number of Hours per Month Spent on Sales Balancing | x 12 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Months per Year | x 12 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total Sales Balancing Cost</i> | \$ 1,626 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total Data Entry Costs</i> | \$ 8,483 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.f.iv. | Obtain from United, a summary of all revenue accounting cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all revenue accounting cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.f.v. | Agree the total costs from the schedule obtained in step 5.f.iv. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.f.iv. to the "Revenue Accounting" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | |
|--|---|--|---|---------------------|--|---------------|--------------|--------------|-----------|-----------|------------------|--------------------------|--------------|--|----------------|---------------------------------------|------------------|
| 5.f.vi. | Recalculate the revenue accounting costs for 1999, based on United's methodology and assumptions, which incorporates estimates of managerial, staff and clerical employee time spent related to PFC's and supplies costs. | <ul style="list-style-type: none"> We recalculated the revenue accounting costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated revenue accounting costs related to PFC's for 1999 as follows: <table border="0" style="margin-left: 40px;"> <tr> <td>Departmental Costs:</td> <td></td> </tr> <tr> <td> Sales – Audit</td> <td style="text-align: right;">\$ 2,460,000</td> </tr> <tr> <td> Data Support</td> <td style="text-align: right;">3,012,000</td> </tr> <tr> <td> Interline</td> <td style="text-align: right;"><u>3,384,000</u></td> </tr> <tr> <td> Total Departmental Costs</td> <td style="text-align: right;">\$ 8,856,000</td> </tr> <tr> <td>United's Estimated Percent of Costs due to PFC's</td> <td style="text-align: right;"><u>x 0.75%</u></td> </tr> <tr> <td><i>Total Revenue Accounting Costs</i></td> <td style="text-align: right;"><i>\$ 66,420</i></td> </tr> </table> | Departmental Costs: | | Sales – Audit | \$ 2,460,000 | Data Support | 3,012,000 | Interline | <u>3,384,000</u> | Total Departmental Costs | \$ 8,856,000 | United's Estimated Percent of Costs due to PFC's | <u>x 0.75%</u> | <i>Total Revenue Accounting Costs</i> | <i>\$ 66,420</i> |
| Departmental Costs: | | | | | | | | | | | | | | | | | |
| Sales – Audit | \$ 2,460,000 | | | | | | | | | | | | | | | | |
| Data Support | 3,012,000 | | | | | | | | | | | | | | | | |
| Interline | <u>3,384,000</u> | | | | | | | | | | | | | | | | |
| Total Departmental Costs | \$ 8,856,000 | | | | | | | | | | | | | | | | |
| United's Estimated Percent of Costs due to PFC's | <u>x 0.75%</u> | | | | | | | | | | | | | | | | |
| <i>Total Revenue Accounting Costs</i> | <i>\$ 66,420</i> | | | | | | | | | | | | | | | | |
| 5.f.vii. | Obtain from United, a summary of all accounts payable cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all accounts payable cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | |
| 5.f.viii. | Agree the total costs from the schedule obtained in step 5.f.vii. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.f.vii. to the "Accounts Payable" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|---|--|----------|---|--------------|---------------------------------|----------|---|---------|--|----------------|---------------------------------|----------|---|---------|--------------------|--------------|-------------------------------|----------|----------------------------------|-----------|--|----------------|--|----------|
| 5.f.ix. | Recalculate the accounts payable costs for 1999, based on United's methodology and assumptions, which incorporates estimates of new vendor costs, data input time, monthly and quarterly mailing, and other costs related to PFC administration. | <ul style="list-style-type: none"> We recalculated the accounts payable costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated account payable costs related to PFC's for 1999 as follows: <p><i>Monthly Mailings:</i></p> <table border="0"> <tr> <td>Estimated Cost per Item (postage – \$0.33; supplies – \$0.015; bank costs – \$0.233)</td> <td style="text-align: right;">\$ 0.578</td> </tr> <tr> <td>Number of Mailings (289 agencies x 12 months)</td> <td style="text-align: right;"><u>3,468</u></td> </tr> <tr> <td><i>Cost of Monthly Mailings</i></td> <td style="text-align: right;">\$ 2,006</td> </tr> </table> <p><i>Quarterly Mailings:</i></p> <table border="0"> <tr> <td>Estimated Cost per Item (postage - \$3; supplies - \$2)</td> <td style="text-align: right;">\$ 5.00</td> </tr> <tr> <td>Number of Mailings (289 agencies x 4 quarters)</td> <td style="text-align: right;"><u>x 1,156</u></td> </tr> <tr> <td><i>Cost of Monthly Mailings</i></td> <td style="text-align: right;">\$ 5,780</td> </tr> </table> <p><i>Yearly Mailings:</i></p> <table border="0"> <tr> <td>Estimated Cost per Item (postage - \$3; supplies - \$6)</td> <td style="text-align: right;">\$ 9.00</td> </tr> <tr> <td>Number of Mailings</td> <td style="text-align: right;"><u>x 289</u></td> </tr> <tr> <td><i>Cost of Yearly Mailing</i></td> <td style="text-align: right;">\$ 2,601</td> </tr> </table> <p><i>Check Requests:</i></p> <table border="0"> <tr> <td>Estimated Cost per Check Request</td> <td style="text-align: right;">\$ 0.7457</td> </tr> <tr> <td>Number of Check Requests (289 agencies x 12 months)</td> <td style="text-align: right;"><u>x 3,468</u></td> </tr> <tr> <td><i>Cost of Data Input – Check Requests</i></td> <td style="text-align: right;">\$ 2,586</td> </tr> </table> <p><i>Total Accounts Payable Costs</i> \$ 12,973</p> | Estimated Cost per Item (postage – \$0.33; supplies – \$0.015; bank costs – \$0.233) | \$ 0.578 | Number of Mailings (289 agencies x 12 months) | <u>3,468</u> | <i>Cost of Monthly Mailings</i> | \$ 2,006 | Estimated Cost per Item (postage - \$3; supplies - \$2) | \$ 5.00 | Number of Mailings (289 agencies x 4 quarters) | <u>x 1,156</u> | <i>Cost of Monthly Mailings</i> | \$ 5,780 | Estimated Cost per Item (postage - \$3; supplies - \$6) | \$ 9.00 | Number of Mailings | <u>x 289</u> | <i>Cost of Yearly Mailing</i> | \$ 2,601 | Estimated Cost per Check Request | \$ 0.7457 | Number of Check Requests (289 agencies x 12 months) | <u>x 3,468</u> | <i>Cost of Data Input – Check Requests</i> | \$ 2,586 |
| Estimated Cost per Item (postage – \$0.33; supplies – \$0.015; bank costs – \$0.233) | \$ 0.578 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Mailings (289 agencies x 12 months) | <u>3,468</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Cost of Monthly Mailings</i> | \$ 2,006 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Cost per Item (postage - \$3; supplies - \$2) | \$ 5.00 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Mailings (289 agencies x 4 quarters) | <u>x 1,156</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Cost of Monthly Mailings</i> | \$ 5,780 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Cost per Item (postage - \$3; supplies - \$6) | \$ 9.00 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Mailings | <u>x 289</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Cost of Yearly Mailing</i> | \$ 2,601 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Cost per Check Request | \$ 0.7457 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Check Requests (289 agencies x 12 months) | <u>x 3,468</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Cost of Data Input – Check Requests</i> | \$ 2,586 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.f.x. | Obtain from United, a summary of all tax department cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all tax department cost components related to PFC's for 1999. | <ul style="list-style-type: none"> Per discussion with United personnel within the tax department, we noted it is estimated that one-half of one employee's time is spent related to PFC issues. | | | | | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | |
|--|---|--|--|--|-----------|--------------------------------------|------------------|------------------------|------------------|
| 5.f.xi. | Agree the total costs from the schedule obtained in step 5.f.x. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.f.x. to the "Tax and Legal" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | |
| 5.f.xii. | Recalculate the tax costs for 1999, based on United's methodology and assumptions, which incorporate estimates of managerial and staff employee time spent related to PFC's and supplies costs. | <ul style="list-style-type: none"> We recalculated the tax costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated tax costs related to PFC's for 1999 as follows: <table data-bbox="2231 727 2946 828"> <tr> <td>United's Estimate of Salary and Fringe costs</td> <td style="text-align: right;">\$ 70,000</td> </tr> <tr> <td>United's Estimate of Percent of Year</td> <td style="text-align: right;"><u> x 50%</u></td> </tr> <tr> <td><i>Total Tax Costs</i></td> <td style="text-align: right;">\$ 35,000</td> </tr> </table> | United's Estimate of Salary and Fringe costs | \$ 70,000 | United's Estimate of Percent of Year | <u> x 50%</u> | <i>Total Tax Costs</i> | \$ 35,000 |
| United's Estimate of Salary and Fringe costs | \$ 70,000 | | | | | | | | |
| United's Estimate of Percent of Year | <u> x 50%</u> | | | | | | | | |
| <i>Total Tax Costs</i> | \$ 35,000 | | | | | | | | |
| 5.g. | <i>Corporate Property</i> | | | | | | | | |
| 5.g.i. | Obtain from United, a summary of all corporate property cost components related to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all corporate property cost components related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | |
| 5.g.ii. | Agree the total costs from the schedule obtained in step 5.g.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.g.i. to the "Corporate Property Dept." cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | |
|--|---|---|---|--|--------------|------------------------------------|--------------------------|--------------------------------------|-------------------|----------------------------|-----|---------------------------|----------------------|------------------------|-----|
| 5.g.iii. | Recalculate the costs for 1999, based on United's methodology and assumptions, which incorporates estimates of employee time spent meeting with airports regarding PFC's and travel expenses. | <ul style="list-style-type: none"> We recalculated the corporate property costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated corporate property costs related to PFC's for 1999 as follows: <table border="0" style="margin-left: 20px;"> <tr> <td>Total Departmental Salary and Fringe Costs</td> <td style="text-align: right;">\$ 4,200,000</td> </tr> <tr> <td>Percent of Total Department Time *</td> <td style="text-align: right;"><u> x 2.57%</u></td> </tr> <tr> <td><i>Total Corporate Property Cost</i></td> <td style="text-align: right;"><i>\$ 107,971</i></td> </tr> </table> * Percent of Total Department Time is calculated as follows: <table border="0" style="margin-left: 20px;"> <tr> <td>Number of Airports Visited</td> <td style="text-align: right;">134</td> </tr> <tr> <td>Number of Visits per Year</td> <td style="text-align: right;"><u> x 2</u></td> </tr> <tr> <td>Total Number of Visits</td> <td style="text-align: right;">268</td> </tr> </table> Total PMEs (Manpower Equivalent) 41.7 Workable Days per Year <u> x 250</u> Total PME per Year 10,425 Number of Visits / Total Annual PME (268 / 10,425) 2.57% | Total Departmental Salary and Fringe Costs | \$ 4,200,000 | Percent of Total Department Time * | <u> x 2.57%</u> | <i>Total Corporate Property Cost</i> | <i>\$ 107,971</i> | Number of Airports Visited | 134 | Number of Visits per Year | <u> x 2</u> | Total Number of Visits | 268 |
| Total Departmental Salary and Fringe Costs | \$ 4,200,000 | | | | | | | | | | | | | | |
| Percent of Total Department Time * | <u> x 2.57%</u> | | | | | | | | | | | | | | |
| <i>Total Corporate Property Cost</i> | <i>\$ 107,971</i> | | | | | | | | | | | | | | |
| Number of Airports Visited | 134 | | | | | | | | | | | | | | |
| Number of Visits per Year | <u> x 2</u> | | | | | | | | | | | | | | |
| Total Number of Visits | 268 | | | | | | | | | | | | | | |
| 5.h. | <i>Training – Reservations, Ticket Agents and Other Departments</i> | | | | | | | | | | | | | | |
| 5.h.i. | Obtain from United, a summary of all departmental training costs allocated to PFC's for 1999. | <ul style="list-style-type: none"> We obtained a summary of all departmental training costs related to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | |
| 5.h.ii. | Agree the total costs from the schedule obtained in step 5.h.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.h.i. to the "Reservations", "Other" and "Ticket Agents" training cost amounts reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|--|---|-------|---|------------|-----------------------------|---------------|-----------------------------------|------------------|---------------------------|---------|-----------------------|-----|-----------------------------|-------------|----------------------------------|---------------|--|-------|---|------------|-----------------------------|---------------|--|------------------|
| 5.h.iii. | Recalculate the costs for 1999, based on United's methodology and assumptions, which consider agent population, agent turnover, average hour of training and labor rates. | <ul style="list-style-type: none"> We recalculated the training costs for 1999, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated training costs related to PFC's for 1999 as follows: <p><i>Reservations:</i></p> <table border="0"> <tr> <td>Agents Trained (agent population of 6,905 multiplied by turnover rate of 30.7%)</td> <td style="text-align: right;">2,120</td> </tr> <tr> <td>Cost per Hour of Training (fixed – \$22.30; salary – \$11.00)</td> <td style="text-align: right;">x \$ 33.30</td> </tr> <tr> <td>Estimated Hours of Training</td> <td style="text-align: right;">x <u>0.75</u></td> </tr> <tr> <td><i>Reservation Training Costs</i></td> <td style="text-align: right;"><u>\$ 52,943</u></td> </tr> </table> <p><i>Data Entry:</i></p> <table border="0"> <tr> <td>Cost per Hour of Training</td> <td style="text-align: right;">\$ 8.61</td> </tr> <tr> <td>PMEs Trained per Year</td> <td style="text-align: right;">x 4</td> </tr> <tr> <td>Estimated Hours of Training</td> <td style="text-align: right;">x <u>12</u></td> </tr> <tr> <td><i>Data Entry Training Costs</i></td> <td style="text-align: right;"><u>\$ 413</u></td> </tr> </table> <p><i>Passenger Services:</i></p> <table border="0"> <tr> <td>Agents Trained (agent population of 11,914 multiplied by turnover rate of 14.4%)</td> <td style="text-align: right;">1,716</td> </tr> <tr> <td>Cost per Hour of Training (fixed – \$32.00; salary – \$11.62)</td> <td style="text-align: right;">x \$ 43.62</td> </tr> <tr> <td>Estimated Hours of Training</td> <td style="text-align: right;">x <u>0.75</u></td> </tr> <tr> <td><i>Passenger Services Training Costs</i></td> <td style="text-align: right;"><u>\$ 56,120</u></td> </tr> </table> | Agents Trained (agent population of 6,905 multiplied by turnover rate of 30.7%) | 2,120 | Cost per Hour of Training (fixed – \$22.30; salary – \$11.00) | x \$ 33.30 | Estimated Hours of Training | x <u>0.75</u> | <i>Reservation Training Costs</i> | <u>\$ 52,943</u> | Cost per Hour of Training | \$ 8.61 | PMEs Trained per Year | x 4 | Estimated Hours of Training | x <u>12</u> | <i>Data Entry Training Costs</i> | <u>\$ 413</u> | Agents Trained (agent population of 11,914 multiplied by turnover rate of 14.4%) | 1,716 | Cost per Hour of Training (fixed – \$32.00; salary – \$11.62) | x \$ 43.62 | Estimated Hours of Training | x <u>0.75</u> | <i>Passenger Services Training Costs</i> | <u>\$ 56,120</u> |
| Agents Trained (agent population of 6,905 multiplied by turnover rate of 30.7%) | 2,120 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost per Hour of Training (fixed – \$22.30; salary – \$11.00) | x \$ 33.30 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Hours of Training | x <u>0.75</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Reservation Training Costs</i> | <u>\$ 52,943</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost per Hour of Training | \$ 8.61 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PMEs Trained per Year | x 4 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Hours of Training | x <u>12</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Data Entry Training Costs</i> | <u>\$ 413</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Agents Trained (agent population of 11,914 multiplied by turnover rate of 14.4%) | 1,716 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost per Hour of Training (fixed – \$32.00; salary – \$11.62) | x \$ 43.62 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Hours of Training | x <u>0.75</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Passenger Services Training Costs</i> | <u>\$ 56,120</u> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.i. | <i>Carrier Ongoing Information Systems</i> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.i.i. | Obtain from United, a summary of all carrier ongoing information systems costs allocated to PFC's for 1999. | <ul style="list-style-type: none"> Obtained a summary of all carrier ongoing information systems costs allocated to PFC's for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | |
|---|---|--|---|---|------|-------------|--------|------------------------------------|--------|---|----------|
| 5.i.ii. | Agree the total costs from the schedule obtained in step 5.i.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.i.i. to the "Internal On-Going IT" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | |
| 5.i.iii. | Recalculate the costs for 1999, based on United's methodology and assumptions, which considers ongoing costs related to the maintenance of systems, data storage, resource materials, and the additional run time to price and print tickets. | <ul style="list-style-type: none"> We recalculated "Internal On-Going IT" costs, based on United's methodology and assumptions. | <ul style="list-style-type: none"> We recalculated internal on-going IT costs related to PFC's for 1999 as follows: <table data-bbox="2231 798 2800 995"> <tr> <td>United's estimated CPU hours related to PFC's</td> <td>1.65</td> </tr> <tr> <td>Hourly rate</td> <td>\$ 173</td> </tr> <tr> <td>Monthly Internal On-Going IT Costs</td> <td>\$ 285</td> </tr> <tr> <td><i>Annual Costs (\$285 x 12 months)</i></td> <td>\$ 3,420</td> </tr> </table> | United's estimated CPU hours related to PFC's | 1.65 | Hourly rate | \$ 173 | Monthly Internal On-Going IT Costs | \$ 285 | <i>Annual Costs (\$285 x 12 months)</i> | \$ 3,420 |
| United's estimated CPU hours related to PFC's | 1.65 | | | | | | | | | | |
| Hourly rate | \$ 173 | | | | | | | | | | |
| Monthly Internal On-Going IT Costs | \$ 285 | | | | | | | | | | |
| <i>Annual Costs (\$285 x 12 months)</i> | \$ 3,420 | | | | | | | | | | |
| 5.j. | <i>CRS Ongoing Costs</i> | | | | | | | | | | |
| 5.j.i. | Obtain from United, a summary of all costs related to ongoing maintenance of PFC data for 1999. | <ul style="list-style-type: none"> We obtained a summary of all costs related to ongoing maintenance of PFC data for 1999. | <ul style="list-style-type: none"> See work performed. | | | | | | | | |
| 5.j.ii. | Agree the total costs from the schedule obtained in step 5.j.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.j.i. to the "CRS On-Going fees" amount reported on the schedule obtained in step 1 | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | |
| 5.j.iii. | Agree the cost components to client analyses provided by United. | <ul style="list-style-type: none"> We agreed the cost components to client analyses provided by United. | <ul style="list-style-type: none"> We noted no differences. | | | | | | | | |
| 5.k. | <i>PFC Absorption</i> | | | | | | | | | | |
| 5.k.i. | Inquire of United as to which airports it absorbed PFC during 1999. | <ul style="list-style-type: none"> Per discussion with United personnel, the only airport that was absorbed during 1999 was O'Hare (ORD). | <ul style="list-style-type: none"> See work performed. | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|--|------------------------------|--|--|--|---------------------------|------------|-----------------|----------|---------------------|------------------|---|-------------------------|--------------------------------------|---------|-----------------------------|----------------|----------------------------------|----------------------|----------------------------|--|---------------------------|-----------|-----------------------------|----------------|--|-----------------------|
| 5.k.ii. | Obtain a schedule of PFC dollars collected for each airport during the periods in which PFC's were/are absorbed and number of PFC's absorbed during the same periods. | <ul style="list-style-type: none"> We obtained a schedule detailing the number of PFC's absorbed for O'Hare and recalculated PFC dollars collected by multiplying the number of PFC's absorbed by \$3. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5.k.iii. | Recalculate absorption cost by multiplying total PFC's collected, by airport, by the absorption factor, as determined by United. | <ul style="list-style-type: none"> We recalculated absorption cost by multiplying total PFC's collected, by airport, by the absorption factor, as determined by United. | <ul style="list-style-type: none"> We recalculated absorption costs for 1999 as follows: <p><i>Dollar Value of PFC's Absorbed:</i></p> <table border="0"> <tr> <td>Total Number of Tickets Sold</td> <td></td> </tr> <tr> <td>(77,785,515 (# of Domestic Passengers) x</td> <td></td> </tr> <tr> <td>(1 - 9.8%) (Refund Rate))</td> <td>70,132,235</td> </tr> <tr> <td>Absorption Rate</td> <td>x 1.032%</td> </tr> <tr> <td>Dollar Value of PFC</td> <td><u>x \$ 3.00</u></td> </tr> <tr> <td><i>Total Dollar Value of PFC's Absorbed</i></td> <td>\$ 2,170,843 (a)</td> </tr> </table> <p><i>United Compensation on PFC's Collected</i></p> <table border="0"> <tr> <td>PFC's Absorbed (70,132,235 x 1.032%)</td> <td>723,614</td> </tr> <tr> <td>United Compensation per PFC</td> <td><u>\$ 0.08</u></td> </tr> <tr> <td><i>Total United Compensation</i></td> <td>\$ 57,889 (b)</td> </tr> </table> <p><i>Cost of PFC's Collected then Refunded</i></p> <table border="0"> <tr> <td>Number of Tickets Refunded</td> <td></td> </tr> <tr> <td>(77,785,515 - 70,132,235)</td> <td>7,653,280</td> </tr> <tr> <td>United Compensation per PFC</td> <td><u>\$ 0.08</u></td> </tr> <tr> <td><i>Total Cost of PFC's Collected then Refunded</i></td> <td>\$ 612,263 (c)</td> </tr> </table> <p><i>Total Absorption Costs (a - b + c)</i> \$ 2,725,217</p> | Total Number of Tickets Sold | | (77,785,515 (# of Domestic Passengers) x | | (1 - 9.8%) (Refund Rate)) | 70,132,235 | Absorption Rate | x 1.032% | Dollar Value of PFC | <u>x \$ 3.00</u> | <i>Total Dollar Value of PFC's Absorbed</i> | \$ 2,170,843 (a) | PFC's Absorbed (70,132,235 x 1.032%) | 723,614 | United Compensation per PFC | <u>\$ 0.08</u> | <i>Total United Compensation</i> | \$ 57,889 (b) | Number of Tickets Refunded | | (77,785,515 - 70,132,235) | 7,653,280 | United Compensation per PFC | <u>\$ 0.08</u> | <i>Total Cost of PFC's Collected then Refunded</i> | \$ 612,263 (c) |
| Total Number of Tickets Sold | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (77,785,515 (# of Domestic Passengers) x | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (1 - 9.8%) (Refund Rate)) | 70,132,235 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Absorption Rate | x 1.032% | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dollar Value of PFC | <u>x \$ 3.00</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total Dollar Value of PFC's Absorbed</i> | \$ 2,170,843 (a) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PFC's Absorbed (70,132,235 x 1.032%) | 723,614 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United Compensation per PFC | <u>\$ 0.08</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total United Compensation</i> | \$ 57,889 (b) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Number of Tickets Refunded | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (77,785,515 - 70,132,235) | 7,653,280 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| United Compensation per PFC | <u>\$ 0.08</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total Cost of PFC's Collected then Refunded</i> | \$ 612,263 (c) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed |
|----------------|---|---|--|
| 5.k.iv. | Agree the total from the calculation in step 5.k.iii. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total from the calculation in step 5.k.iii. to the "absorption" amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. |
| 5.l. | <i>Airline Tariff Publishing Company (ATPCO)</i> | | |
| 5.l.i. | Obtain from United, a schedule from all ATPCO costs incurred in 1999. | <ul style="list-style-type: none"> Per discussion with United personnel, no expenses related to Airline Tariff Publishing Company (ATPCO) costs were incurred during 1999. | <ul style="list-style-type: none"> See work performed. |
| 5.l.ii. | Agree the total costs from the schedule obtained in step 5.l.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> N/A. | <ul style="list-style-type: none"> N/A. |
| 5.l.iii. | Select the five largest charges for 1999 and agree the charges to the respective ATPCO invoice (or other document supporting such costs). | <ul style="list-style-type: none"> N/A. | <ul style="list-style-type: none"> N/A. |
| 5.m. | <i>Airline Reporting Corporation (ARC)</i> | | |
| 5.m.i. | Obtain from United, a schedule of all ARC costs incurred in 1999. | <ul style="list-style-type: none"> We obtained a schedule of all ARC and BSP costs incurred in 1999. | <ul style="list-style-type: none"> See work performed. |
| 5.m.ii. | Agree the total costs from the schedule obtained in step 5.m.i. to the respective amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We agreed the total costs from the schedule obtained in step 5.m.i. to the "ARC + BSP" cost amount reported on the schedule obtained in step 1. | <ul style="list-style-type: none"> We noted no differences. |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | | | | | | | |
|---|--|---|---|------------|--|---------------------------|------------|----------------|-------------------|------------------------|------------|----------------|--|---|------------|------------------------------------|-----|----------------------------------|-----------------|------------------------|------------|------------------------------------|----------------|
| 5.m.iii. | Select the five largest charges for 1999 and agree the charges to the respective ARC invoice (or other document supporting such costs). | <ul style="list-style-type: none"> We recalculated ARC and BSP costs for 1999. United does not obtain invoiced charges directly, therefore the methodology used differs from the work plan at left. The revised calculation is detailed in the "Results of Work Performed" section at right. | <ul style="list-style-type: none"> We recalculated ARC and BSP costs related to PFC's for 1999 as follows: <table border="0" style="margin-left: 20px;"> <tr> <td colspan="2"><i>ARC</i></td> </tr> <tr> <td>Number of PFC's Collected</td> <td style="text-align: right;">76,064,708</td> </tr> <tr> <td>Charge per PFC</td> <td style="text-align: right;"><u>x \$ 0.004</u></td> </tr> <tr> <td><i>Total ARC Costs</i></td> <td style="text-align: right;">\$ 304,259</td> </tr> <tr> <td colspan="2"> <i>BSP</i></td> </tr> <tr> <td>Total Charge (ARC costs of \$304,259 divided by % of sales processed through ARC of 68.65%)</td> <td style="text-align: right;">\$ 443,186</td> </tr> <tr> <td>Estimated Multiple of BSP over ARC</td> <td style="text-align: right;">x 2</td> </tr> <tr> <td>% of Sales Processed Through BSP</td> <td style="text-align: right;"><u>x 14.42%</u></td> </tr> <tr> <td><i>Total BSP Costs</i></td> <td style="text-align: right;">\$ 127,778</td> </tr> <tr> <td> <i>Total ARC and BSP Costs</i></td> <td style="text-align: right;"> \$ 432,037</td> </tr> </table> | <i>ARC</i> | | Number of PFC's Collected | 76,064,708 | Charge per PFC | <u>x \$ 0.004</u> | <i>Total ARC Costs</i> | \$ 304,259 | <i>BSP</i> | | Total Charge (ARC costs of \$304,259 divided by % of sales processed through ARC of 68.65%) | \$ 443,186 | Estimated Multiple of BSP over ARC | x 2 | % of Sales Processed Through BSP | <u>x 14.42%</u> | <i>Total BSP Costs</i> | \$ 127,778 | <i>Total ARC and BSP Costs</i> | \$ 432,037 |
| <i>ARC</i> | | | | | | | | | | | | | | | | | | | | | | | |
| Number of PFC's Collected | 76,064,708 | | | | | | | | | | | | | | | | | | | | | | |
| Charge per PFC | <u>x \$ 0.004</u> | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total ARC Costs</i> | \$ 304,259 | | | | | | | | | | | | | | | | | | | | | | |
| <i>BSP</i> | | | | | | | | | | | | | | | | | | | | | | | |
| Total Charge (ARC costs of \$304,259 divided by % of sales processed through ARC of 68.65%) | \$ 443,186 | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Multiple of BSP over ARC | x 2 | | | | | | | | | | | | | | | | | | | | | | |
| % of Sales Processed Through BSP | <u>x 14.42%</u> | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total BSP Costs</i> | \$ 127,778 | | | | | | | | | | | | | | | | | | | | | | |
| <i>Total ARC and BSP Costs</i> | \$ 432,037 | | | | | | | | | | | | | | | | | | | | | | |
| 5.n | <i>Interest Income</i> | | | | | | | | | | | | | | | | | | | | | | |
| 5.n.i. | Obtain from United, a schedule containing the breakout of the total dollar amount of interest earned on PFC funds held by the company by month, for the year ended December 31, 1999. | <ul style="list-style-type: none"> United's methodology for calculating interest income differs from that anticipated in the work plan at left. The revised calculation is based on annual amounts and thus those amounts only were obtained. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | |
| 5.n.ii. | Obtain from United a schedule showing the average number of days that a PFC collected in each month was held between time of receipt by the airline and time of receipt by the airport(s); or (in case of refunded tickets) time of refund to the passenger. | <ul style="list-style-type: none"> See previous work performed section. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | | | | | | | | | | | |

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | |
|---|---|---|--|--------------------------------|--|---|----------------|----------------------------|----------|---------------------------------------|-----------------|--------------------------------------|------------|
| 5.n.iii. | Obtain from United a schedule of the average interest rates earned each month in 1999 on its short-term investment portfolio. | <ul style="list-style-type: none"> We obtained a schedule of the average 1-month LIBOR for 1999, as that was the rate United used to calculate interest income. | <ul style="list-style-type: none"> See work performed. | | | | | | | | | | |
| 5.n.iv. | Recalculate two months of "Interest earned on PFC dollars collected from sales" for the year ended December 31, 1999, by multiplying monthly PFC dollars collected from the schedule obtained in step 2. by days held (both for remitted PFC's and PFC's refunded to passengers), as a proportion of a 360 day year obtained in step 5.n.ii., and then by the appropriate monthly interest rate percentages obtained in step 5.n.iii. | <ul style="list-style-type: none"> See previous work performed section. We recalculated total "interest earned on PFC dollars collected from sales" for the year ended December 31, 1999, by multiplying total PFC dollars collected from the schedule obtained in step 2. by days held (both for remitted PFC's and PFC's refunded to passengers), as a proportion of a 360 day year obtained in step 5.n.ii., and then by the 1-month LIBOR obtained in step 5.n.iii. | <ul style="list-style-type: none"> We recalculated "total interest earned on PFC dollars collected from sales" as follows: <table border="0" data-bbox="2231 802 2905 997"> <tr> <td colspan="2"><i>Interest Income (PFC's)</i></td> </tr> <tr> <td>Collected PFC Dollars Less United's Compensation (\$228,194,125 - \$6,085,206)</td> <td style="text-align: right;">\$ 222,108,919</td> </tr> <tr> <td>Average 1999 1-month LIBOR</td> <td style="text-align: right;">x 5.248%</td> </tr> <tr> <td>Proportion of 360 day Year (21 / 360)</td> <td style="text-align: right;"><u>x 5.833%</u></td> </tr> <tr> <td><i>Total Interest Income (PFC's)</i></td> <td style="text-align: right;">\$ 679,949</td> </tr> </table> | <i>Interest Income (PFC's)</i> | | Collected PFC Dollars Less United's Compensation (\$228,194,125 - \$6,085,206) | \$ 222,108,919 | Average 1999 1-month LIBOR | x 5.248% | Proportion of 360 day Year (21 / 360) | <u>x 5.833%</u> | <i>Total Interest Income (PFC's)</i> | \$ 679,949 |
| <i>Interest Income (PFC's)</i> | | | | | | | | | | | | | |
| Collected PFC Dollars Less United's Compensation (\$228,194,125 - \$6,085,206) | \$ 222,108,919 | | | | | | | | | | | | |
| Average 1999 1-month LIBOR | x 5.248% | | | | | | | | | | | | |
| Proportion of 360 day Year (21 / 360) | <u>x 5.833%</u> | | | | | | | | | | | | |
| <i>Total Interest Income (PFC's)</i> | \$ 679,949 | | | | | | | | | | | | |
| 5.n.v. | Agree the total income for each month, as calculated in step 5.n.iv., to the respective amount reported on the schedule obtained in step 3. | <ul style="list-style-type: none"> See previous step work performed | <ul style="list-style-type: none"> N/A | | | | | | | | | | |

United Air Lines, Inc.
FAA Request for PFC Information
1999 Actual

ATTACHMENT II

| | Actual Costs 1999 ¹ | |
|---|--------------------------------|-------------|
| Credit Card Fees | \$3,837,774 | 51% |
| Audit Fees (External) | 68,500 | 1% |
| Disclosure Costs | 49,465 | 1% |
| Reservations (RSSRs) | 1,537,665 | 20% |
| Passenger Services (CSRs) | 565,297 | 8% |
| Data Entry: | | |
| Internal | 8,483 | 0% |
| Other (ARC + BSP) | - | 0% |
| Revenue Accounting | 66,420 | 1% |
| Accounts Payable | 12,973 | 0% |
| Tax & Legal | 35,000 | 0% |
| Corporate Property Dept | 107,971 | 1% |
| Training: | | |
| Reservations (RSSRs) | 52,943 | 1% |
| Other | 413 | 0% |
| Ticket Agents (CSRs) | 56,120 | 1% |
| Internal On-Going IT | 3,420 | 0% |
| CRS On-Going fees | 698,958 | 9% |
| PFC Absorption | - | 0% |
| ATPCO | - | 0% |
| ARC + BSP | 432,037 | 6% |
| Internal One-Time IT update | - | 0% |
| CRS One-Time update | - | 0% |
| Interest Revenue on Float | <u>(679,949)</u> | n/a |
| TOTAL COSTS | \$7,533,438 | 100% |
| TOTAL COSTS LESS INTEREST | 6,853,489 | n/a |
| Number of PFCs Remitted | 67,929,591 | |
| Number of PFCs Collected | 76,064,708 | |
| Cost Less Interest / PFC Remitted | \$0.1009 | |
| Cost Less Interest / PFC Collected | \$0.0901 | |
| Absorption | \$2,725,217 | |
| Absorption / PFC Remitted | \$0.040 | |
| Absorption / PFC Collected | \$0.036 | |

Notes:

1 - Actual costs incurred. Agreed upon procedures have been applied by the independent accountant to actual 1999 costs.

| Step Reference | Work Plan/Action Plan Steps | Work Performed | Results of Work Performed | | | | | | | | | | | | | | |
|--|---|---|---|--------------------------|--------------|--|--------------|---------------------------|--------------|---------------------------|------------|--------------------------|------------|--|-----------|---|-----------|
| 6. | Calculate the average cost per PFC for the year ended December 31, 1999 by dividing the total costs for the year, as reported on the schedule obtained in step 1., less the interest earned on collected PFC's, as reported in step 3., by the number of PFC's collected and the number of PFC's remitted, as determined in step 2. | <ul style="list-style-type: none"> We calculated the average cost per PFC collected and remitted for the year ended December 31, 1999. | <ul style="list-style-type: none"> We recalculated the average cost per PFC as follows: <table data-bbox="2222 635 2874 1068"> <tr> <td>Total Costs for the year</td> <td>\$ 7,369,521</td> </tr> <tr> <td>Less: Interest Earned on Collected PFC's</td> <td>\$ (679,949)</td> </tr> <tr> <td>Total Costs less Interest</td> <td>\$ 6,689,572</td> </tr> <tr> <td>Number of PFC's Collected</td> <td>76,064,708</td> </tr> <tr> <td>Number of PFC's Remitted</td> <td>67,929,591</td> </tr> <tr> <td>Average cost per PFC using PFC's Collected (\$6,689,572 / 76,064,708)</td> <td>\$ 0.0879</td> </tr> <tr> <td>Average cost per PFC using PFC's Remitted (\$6,689,572 / 67,929,591)</td> <td>\$ 0.0985</td> </tr> </table> | Total Costs for the year | \$ 7,369,521 | Less: Interest Earned on Collected PFC's | \$ (679,949) | Total Costs less Interest | \$ 6,689,572 | Number of PFC's Collected | 76,064,708 | Number of PFC's Remitted | 67,929,591 | Average cost per PFC using PFC's Collected (\$6,689,572 / 76,064,708) | \$ 0.0879 | Average cost per PFC using PFC's Remitted (\$6,689,572 / 67,929,591) | \$ 0.0985 |
| Total Costs for the year | \$ 7,369,521 | | | | | | | | | | | | | | | | |
| Less: Interest Earned on Collected PFC's | \$ (679,949) | | | | | | | | | | | | | | | | |
| Total Costs less Interest | \$ 6,689,572 | | | | | | | | | | | | | | | | |
| Number of PFC's Collected | 76,064,708 | | | | | | | | | | | | | | | | |
| Number of PFC's Remitted | 67,929,591 | | | | | | | | | | | | | | | | |
| Average cost per PFC using PFC's Collected (\$6,689,572 / 76,064,708) | \$ 0.0879 | | | | | | | | | | | | | | | | |
| Average cost per PFC using PFC's Remitted (\$6,689,572 / 67,929,591) | \$ 0.0985 | | | | | | | | | | | | | | | | |

Note: Calculations may not recalculate exactly due to rounding.