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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKET SECTION

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Joint Application of)
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 UNITED AIR LINES, INC.)
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 and)
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)
 SCANDINAVIAN AIRLINES SYSTEM)
)
)
 under 49 U.S.C. 41308 and 41309 for)
 approval of and antitrust immunity for)
 an expanded alliance agreement)

Docket OST-96-1411 - 4

SUPPLEMENT NUMBER ONE TO
JOINT APPLICATION OF UNITED AIR LINES, INC.
AND SCANDINAVIAN AIRLINES SYSTEM

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DATED: July 1, 1996

30 pages

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DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

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SUPPLEMENT NUMBER ONE TO
JOINT APPLICATION OF UNITED AIR LINES, INC.
AND SCANDINAVIAN AIRLINES SYSTEM

By application dated May 28, 1996, United Airlines ("United") and Scandinavian Airlines System ("SAS") jointly applied for approval of and antitrust immunity for an Alliance Expansion Agreement between the carriers. The Alliance Expansion Agreement referred to in the application is a Letter Agreement between United and SAS dated May 24, 1996, pursuant to which the carriers agreed to expand their coordination of services beyond the scope of existing arrangements. See Application at note 1 and JA-1.

United and SAS noted in their joint application that their intent in entering into the Alliance Expansion Agreement was to expand their relationship under an agreement substantially similar to that between United and Lufthansa dated January 9, 1996, which the Department approved and immunized from the antitrust laws by Order 96-5-27. The parties further noted that a more detailed agreement was then under negotiation and would be

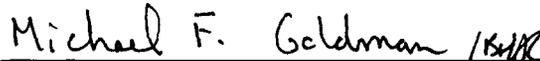
filed with the Department when it was signed by both parties. United and SAS have now concluded such agreement and are filing it with the Department as indicated in their joint application." United and SAS hereby request that the relief for which they are applying in this docket be extended to include the Agreement attached hereto and identified as Exhibit JA-9.

Respectfully submitted,



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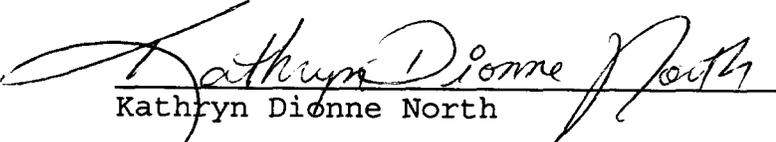
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DATED: July 1, 1996
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^{1/} A copy of the Agreement, identified as Exhibit JA-9, is attached to the copies of this Supplement One filed with the Department. A copy of the Agreement is not attached to the copies of this Supplement being served today on the persons identified on the attached service list. However, counsel for United or SAS will make copies of Exhibit JA-9 available upon request to any person interested in obtaining a copy. Counsel can be reached at the addresses and phone numbers listed on the Cover Sheet to this Supplement.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Supplement Number One To Joint Application Of United Air Lines, Inc. And Scandinavian Airlines System to the persons on the attached Service List by causing a copy to be sent via first class mail, postage prepaid.


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DATED: July 1, 1996

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ALLIANCE EXPANSION AGREEMENT

by and between

and

UNITED AIR LINES, INC.

JUNE 28, 1996

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THIS ALLIANCE EXPANSION AGREEMENT ("EXPANSION AGREEMENT") is made and entered into on June 28, 1996 by and between:

SCANDINAVIAN AIRLINES SYSTEM (which, together with any Affiliates it may have, shall be referred to as "SK"), a consortium organized under the laws of Denmark, Norway and Sweden, and having its principal executive office at Frösundaviks Allé 1, Solna, S-1 95 87, Stockholm, Sweden; and

UNITED AIR LINES, INC. (which, together with any Affiliates it may have, shall be referred to as "UA"), a corporation organized and existing under the laws of the state of Delaware, and having its principal executive office at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, U.S.A..

In this Expansion Agreement, SK and UA may each be individually referred to as a "Party" and may be collectively referred to as the "Parties".

WHEREAS, pursuant to the Cooperation Agreement and the Code Share Agreement both concluded between the Parties dated as of September 1, 1995 ("the 1995 Agreement"), the Parties have operated an alliance based on limited cooperation which has created benefits for the traveling public; and

WHEREAS, the Parties now seek to expand and enhance their alliance, whereby the cooperation between the Parties will be generally broadened and deepened; and

WHEREAS, the enhanced alliance will expand the benefits for the traveling and shipping public, and will facilitate new benefits including integrated service products, increased cost efficiencies, increased time efficiencies, and improved service options; and

WHEREAS, expansion of the Parties' cooperation in various commercially important areas is expected to result in a revenue sharing approach for certain routes served by the Parties; and

WHEREAS, the Parties wish to maintain their competitiveness with other major global alliances of carriers; and

WHEREAS, the Parties seek to take advantage of opportunities presented by the significant recent liberalization of bilateral aviation regimes between the United States and Denmark, Norway and Sweden; and

WHEREAS, the Parties seek immunity from U.S. antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309, without which the Parties will not proceed with expansion of their alliance as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants of the Parties, intending to be legally bound, the Parties hereby agree:

ARTICLE 1: DEFINITIONS

Capitalized terms shall have the meanings ascribed to them in Schedule 1.

ARTICLE 2: SCOPE OF THE ALLIANCE

2.1 **The SK/UA Alliance.** The Parties shall plan and operate their respective networks, facilities and operations to create an integrated global passenger air transport service ("SK/UA Alliance"). The SK/UA Alliance formed pursuant to this Expansion Agreement reinforces and expands upon the alliance formed pursuant to the 1995 Agreement, which shall remain in full force and effect except to the extent modified by this Expansion Agreement. The 1995 Agreement is hereby incorporated by reference into this Expansion Agreement, and shall be treated as an Appendix to this Expansion Agreement. The SK/UA Alliance shall be implemented by the Parties on the basis of and subject to the terms and conditions set out in the 1995 Agreement and this Expansion Agreement. In case of any inconsistency between the 1995 Agreement and this Expansion Agreement, this Expansion Agreement shall take precedence.

2.2 **Areas of Expanded Cooperation.** The Parties shall further integrate their activities in each of the following substantive areas as set forth in greater detail in this Expansion Agreement and in such Implementing Agreements as the Parties may conclude pursuant to Article 2.4 hereof:

- Route and Schedule Coordination
- Marketing, Advertising and Distribution
- Co-Branding and Joint Product Development
- Code Sharing
- Pricing, Inventory and Yield Management Coordination
- Revenue Sharing
- Joint Procurement
- Support Services
- Cargo Services
- Information Systems
- Frequent Flyer Programs
- Financial Reporting
- Harmonization of Standards/Quality Assurance

The Parties shall also explore and pursue other opportunities for operational efficiencies from joint utilization of either Party's services and facilities, whenever feasible.

2.3 **Geographic Allocation of Responsibilities.** The SK/UA Alliance shall be a global alliance extending to all areas of the world served by either Party. The SK/UA Alliance shall, subject to the provisions of this Expansion Agreement, allocate geographic responsibilities between the Parties as follows:

2.3.1 **Within the United States or Europe.** UA, its Affiliates and Commuter Carriers

shall operate air transport services for the SK/UA Alliance between points in the United States. SK and its Affiliates, and such other airlines as the Parties may agree upon, shall operate air transport services for the SK/UA Alliance between points in Europe.

2.3.2 Between the United States and Europe. Each Party may operate air transport services between the United States and Europe.

2.3.3 Rest of the World. The Parties shall coordinate their services and responsibilities in other parts of the world in the manner and to the extent the Parties may agree in subsequent agreements, in order to maximize synergies and cost savings in each geographic area and operational sphere covered by the SK/UA Alliance.

2.4 Contractual Framework. This Expansion Agreement establishes the basic principles for expansion of the alliance already in operation pursuant to the 1995 Agreement. The Parties expect to enter into Implementing Agreements in order to define further and put into effect various details of the SK/UA Alliance. Each Implementing Agreement shall be based upon and consistent with, and its provisions shall be interpreted by reference to, this Expansion Agreement, except as the Parties may otherwise expressly agree in any such Implementing Agreement.

2.5 Retention of Corporate Identity. The Parties shall remain independent Air Carriers and each Party shall retain its own corporate identity. Except to the extent expressly provided otherwise in this Expansion Agreement or future agreements between the Parties, the Parties shall remain autonomous and hereby expressly reserve their independent decision-making powers. Each party shall be responsible for supervising its representatives on the Alliance Committee.

ARTICLE 3: ALLIANCE ADMINISTRATION

3.1 Administrative Structure for the Alliance. The SK/UA Alliance shall be administered by the Joint Alliance Committee ("Alliance Committee"), on which both Parties shall be equally represented and which shall consist of, at a minimum, an officer and two other senior executives of each Party. The Alliance Committee shall replace for purposes of implementing the SK/UA Alliance the representatives appointed pursuant to the 1995 Agreement.

3.1.1 Meetings. The Alliance Committee shall hold its initial meeting no later than 30 days after the Effective Date of this Expansion Agreement and thereafter it shall meet at least twice a year. The decisions of the Alliance Committee shall be taken by the unanimous decision of all members present who must include at least one representative of each Party in order for a decision to be valid.

3.1.2 Decisions. The decisions of the Alliance Committee shall, provided they are properly within the scope of responsibilities allocated to the Alliance Committee by this Expansion Agreement or an Implementing Agreement, be binding on the Parties. The Parties shall take all necessary steps to ensure that such decisions are implemented throughout their respective organizations.

3.2 The Alliance Committee. In addition to its responsibilities under the 1995 Agreement, the Alliance Committee shall administer the implementation and operation of the SK/UA Alliance in the substantive areas set forth in Article 2.2 hereof. In particular, unless instructed otherwise by the Parties acting jointly, the Alliance Committee shall be responsible for the following:

3.2.1 _____ The Alliance Committee shall be responsible for coordination of SK/UA Alliance activities conducted by the Parties, and for monitoring the application of the Expansion Agreement and of any Implementation Agreements.

Benefit Monitoring. The Alliance Committee shall monitor the benefits derived by the SK/UA Alliance and each Party from the SK/UA Alliance and identify further areas in which synergies can be achieved.

3.2.3 **Quality Control.** The Alliance Committee shall define standards and goals for SK/UA Alliance services in the various operational areas, consistent with Article 4.13 hereof (“Harmonization of Standards and Quality Assurance”) and shall monitor the performance of the Parties in comparison to those defined standards and goals.

3.2.4 **Further Improvements.** The Alliance Committee shall seek to identify ways to improve the performance of the SK/UA Alliance and, where appropriate, make specific recommendations to the Parties.

3.3 **Commercial Decisionmaking.** In the event of any disagreement between the Parties concerning an operational or business decision within the Alliance Committee’s area of responsibility (“Commercial Decision”) under this Expansion Agreement or the 1995 Agreement, each Party shall be free to make its own independent business decision with regard to the subject matter of the Commercial Decision, notwithstanding the existence of the SK/UA Alliance.

Notwithstanding Article 9 hereof, under no circumstances shall any Commercial Decision be the subject of any dispute resolution procedure pursuant to Articles 9.2 and 9.3 or any other proceedings in any national court, arbitral tribunal, administrative body, or an other legal body, and each Party hereby:

irrevocably undertakes not to commence, participate in, invite, invoke or otherwise assist in any such proceedings; and

- irrevocably and unconditionally waives any and all rights of any description whatsoever in respect of any such Commercial Decision, except for the rights to preclude any proceedings in respect of any such Commercial Decision and to proceed unilaterally.

ARTICLE 4: PRINCIPLES FOR EXPANDED COOPERATION

4.1 **Route and Schedule Coordination.** The Parties shall coordinate route and schedule planning to the maximum feasible extent throughout their global route networks. The goals of their coordination shall generally be:

- **Maximizing Transport Options.** The Parties shall offer the maximum number of traveling and shipping options of optimal quality to the public so that passengers and shippers are able to utilize the most efficient routings regardless of which Party is operating the flight.
- **Allocating Resources Efficiently.** To allocate and use the Parties’ respective resources and capacities, including but not limited to their fleets and airport slots, within the SK/UA Alliance network in the most efficient way, consistent with each Party’s

systemwide needs and regulatory constraints, to minimize costs and increase utilization of resources.

- **Enhancing Profitability.** To enhance profitability through coordinated route and schedule planning, joint determination of optimal capacities, improved service and increased efficiency.

4.2 Marketing, Advertising and Distribution. The Parties shall establish closer global cooperation and greater integration of their marketing, advertising and distribution networks, staffs, programs and systems, to the extent they jointly deem commercially beneficial. Without limiting the range of other coordinated activities the Parties may undertake, the Parties agree as follows.

- **Marketing.** The Parties shall seek to provide for joint marketing of SK/UA Alliance services, including joint marketing targeted to corporate, group and government customers and joint marketing of the Parties' frequent flyer programs which shall be coordinated as described in Article 4.11 hereto.

To facilitate marketing integration, the Parties may jointly create: a unified commissions schedule using a single commissions accounting system; common override agreements for retail accounts, corporate accounts, and consolidator and special accounts; and tour and vacations programs.

- **Advertising.** The Parties shall seek to engage in joint advertising and promotion of SK/UA Alliance services. Such advertising shall seek to emphasize the geographic scope and breadth of services of the SK/UA Alliance.
- **Distribution.** The Parties shall seek to establish in certain geographic areas a combined sales force, which shall conduct for the SK/UA Alliance distribution activities, such as field sales, reservations, operating city ticket offices, and specialized services (e.g., those directed to travel agencies, corporations, governments, groups, and VIP customers). The Parties shall seek to represent each other in certain geographic areas through general sales agencies and similar means, and may coordinate their use of general sales agents and consolidators in certain geographical areas. The Parties shall also seek to consolidate selected sales administration and planning functions, create common sales goals and support activity plans, and develop and coordinate use of electronic products and distribution channels as described in Article 4.10 hereto.

4.3 Co-Brandings and Joint Product Development. The Parties shall seek to co-brand existing products and to this end shall explore the creation of a joint logo and/or joint corporate markings. The Parties shall also seek to jointly develop co-branded products including, but not limited to: interior design, decoration and cabin layout; inflight entertainment, amenities and services; and passenger ground services. The Parties shall also seek to share existing and future product and market research conducted by either Party and jointly undertake future product and market research. The Parties shall generally coordinate service offerings to ensure that onboard service throughout their respective networks is of a comparable high quality.

4.4 Code Sharing In addition to the Code Sharing agreed under the 1995 Agreement, each Party shall, to the extent permitted by applicable treaties, laws and regulations, give the other Party the opportunity to engage in Code Sharing on any or all nonstop scheduled passenger services for which it is the operating carrier between Europe and the United States and such other services as the Parties may jointly select from time to time.

4.5 Pricing, Inventory and Yield Management Coordination. The Parties shall consult and coordinate on pricing, inventory and yield management with respect to all services included in their respective networks. Without limiting the range of other coordinated activities the Parties may undertake, the Parties shall, to the extent they jointly deem commercially beneficial:

- jointly develop, coordinate and offer fare products, including corporate fares, net fares and retail sale promotional fares that utilize the SK/UA Alliance's global capabilities;
- jointly develop, coordinate and prepare bids for group business and U.S. government business utilizing the SK/UA Alliance's global schedule;
- jointly develop and apply consistent uniform auxiliary service charges and collection policies (e.g., excess baggage, pets);
- harmonize methods and procedures concerning revenue management (e.g., passenger protection, dupe check, waitlist priorities); and
- jointly develop inventory management allocations consistent with the principles set forth in Article 4.1 hereof.

4.6 Revenue Sharing. The Parties shall share net revenues (less certain operating costs) received by either Party for scheduled passenger air transportation on certain routes subject to such additions or exceptions as the Parties may mutually determine from time to time. The selection of routes subject to revenue sharing, the definitions of gross and net revenue and operating costs, and the Parties' respective revenue allocations shall be determined in accordance with specifications and rules to be established jointly by the Parties. Revenue sharing shall be implemented as soon as practicable after these specifications and rules have been agreed. Until such time as these specifications and rules have been agreed, the existing prorate agreements between the parties, and any future replacement or modification thereof, shall remain in effect under the conditions and terms specified therein.

4.7 Joint Procurement. The Parties shall seek economically viable joint procurement opportunities with the overall objective of reducing costs. Generally, the Parties shall seek cost reductions through:

- obtaining lower prices for necessary goods and services through volume purchases, establishment of common specifications, and improved access to world pricing data. Goods and services that may be subject to joint procurement include but are not limited to: ground handling services, general goods and services, field and station supplies, catering, crew uniforms, information technology products and services, fuel and maintenance;
- eliminating redundant purchasing activities in geographic areas where one Party has a superior presence and knowledge of that market; and
- cooperation between the existing purchasing organizations, the creation of dedicated joint procurement groups, and/or the establishment of single joint purchasing group.

4.8 Support Services

4.8.1 Passenger and Ramp Services. The Parties shall continue their cooperative efforts with respect to ground and inflight passenger and ramp services as

established in the 1995 Agreement (including, for example, passenger processing, through check-in, transfers, shared lounge facilities, baggage handling, aircraft groundhandling, and maintenance), and they shall seek to extend this cooperation to all airports served by the Parties. In third-country markets, the Parties will seek to identify the most cost-effective means of meeting their combined needs.

4.8.2 Training. The Parties shall implement joint training of personnel to the extent commercially and operationally feasible.

4.8.3 Catering. The Parties shall explore joint purchasing opportunities for their catering operations. They shall also seek to establish common specifications and requirements for food, beverage, and catering supplies and equipment, to the extent commercially and operationally feasible.

4.9 Cargo Services. Without limiting the applicability of the other provisions of this Expansion Agreement to the Parties' cooperation in the area of cargo, the Parties shall seek to harmonize and integrate their cargo services in ways that will enable them to maximize the utilization of their global route networks and resources including, to the extent agreed in cargo-specific Implementing Agreements, the joint development of express cargo products, joint usage of cargo facilities and terminals, ground handling, coordination of trucking and road/rail feeder services (RFS), and the harmonization of standards for cargo products and services.

4.10 Information Systems. The Parties shall seek to combine and/or harmonize their information systems, including inventory, yield management, reservation, ticketing, distribution and other operational systems. To this end, the Parties shall consider implementation of the following consistent with the needs of the Parties and the SK/UA Alliance:

- Joint development and coordinated utilization of new information technologies 'to facilitate compatible ticketing systems and products (such as ticketless travel, Smart Cards, and Chip Cards), distribution channels (such as online networks), flight planning, accounting, maintenance, and such other systems and functions as the Parties may identify from time to time.
- Consolidation and/or coordination of existing information systems, resources and functions, such as voice and data networks, reservations networks, business resumption plans, backup site support, help desk support, system installation and maintenance, software distribution and licensing, LAN design/administration, and information systems business and technical skills.

The ultimate goal of such harmonization shall be the integration of all information technology systems to the fullest extent consistent with the commercial integration taking place in other areas of the SK/UA Alliance. The implementation shall be driven by the business needs for integrated information technology support. The Parties do not intend to coordinate the management of their respective interests, if any, in any CRS systems.

4.11 Frequent Flyer Programs. The Parties shall continue to coordinate their Frequent Flyer Programs, as set forth in Article 4.C.(2) of the Cooperation Agreement, so that passengers will be able to accrue and redeem mileage on either program for all flights throughout the Parties' respective air transportation networks. The Parties shall consider full integration of their Frequent Flyer Programs.

4.12 Financial Reporting. To facilitate revenue sharing and to promote easier coordination

of yield management, the Parties shall consider harmonizing their financial reporting practices, including revenue and cost accounting practices.

4.13 **Harmonization of Standards and Quality Assurance.** The Parties shall seek to harmonize their respective product standards, service levels and in-flight amenities. Pending such full harmonization, each Party shall in all respects afford customers of the other Party the same standard of service as it provides to its own customers.

4.14 **Technical Services/Maintenance.** The Parties shall explore the possibility of each Party providing to the other Party aircraft and ground equipment, technical and maintenance services at appropriate locations.

4.15 **Facilities.** The Parties shall seek to share facilities and services at airports served by the flights of both Parties, especially Code Sharing flights, to the extent commercially and technically reasonable.

4.16 **Benefit Sharing.** The Parties will agree on a model for calculating, monitoring and sharing the incremental benefits from the SK/UA Alliance as a whole in order to ensure that both Parties are able to participate in such incremental benefits fairly and equitably.

ARTICLE 5: IMPLEMENTATION

5.1 **Implementation Plan.** Subject to the conditions set forth in Article 7 hereof, the Parties intend to implement the SK/UA Alliance as provided for in this Expansion Agreement commencing on the Effective Date and in accordance with an Implementation Plan to be developed jointly by the Parties.

5.2 **Implementing Agreements.** In order to create, develop, manage and maintain the SK/UA Alliance, the Parties have determined that Implementing Agreements will be necessary. The Parties shall use all reasonable endeavors to conclude Implementing Agreements in accordance with the Implementation Plan.

5.3 **Regulatory.** The Parties shall make a common approach to the U.S., Scandinavian and other relevant authorities for the purpose of obtaining all Approvals relevant to the SK/UA Alliance.

5.4 **No Infringement.** No Party shall be required by this Expansion Agreement under any circumstances to take any action which would infringe any statute, regulation or Approval or the order of any authority or court having jurisdiction over such Party or over all or any of the transactions contemplated by this Expansion Agreement.

ARTICLE 6: ARRANGEMENTS WITH THIRD PARTY CARRIERS

6.1 **Admission of Third Parties.** The Parties will be open to opportunities for cooperation with other potential participants in the SK/UA Alliance. Admission of third parties as additional participants in the SK/UA Alliance shall take place only by mutual consent of the Parties.

6.2 **Alliances With Other Carriers.** Without limiting the application of Articles 8.2 and 8.3 of the Cooperation Agreement, each Party shall notify the other Party in advance of any Cooperative Agreement which it proposes to enter into with any third party Air Carrier, or any significant extension or amendment which it proposes to make to any existing Cooperative Agreement with any third party Air Carrier, following the Effective Date. In order to maximize synergies and enhance customer service, the Parties shall seek to have alliances with the same third party Air Carriers, where feasible.

6.3 Commuter Carriers. UA and SK shall use best efforts to encourage their Commuter Carriers to join the SK/UA Alliance as expanded in accordance with this Expansion Agreement.

ARTICLE 7: CONDITIONS

7.1 Conditions Precedent. This Expansion Agreement shall not take effect until and unless the following board Approvals and regulatory Approvals have been achieved or obtained:

7.1.1 Board Approval. Final approval of this Expansion Agreement must have been obtained from the board of directors of each Party; however, either Party may waive the requirement of final approval of its own board;

7.1.2 Regulatory Approvals. All regulatory Approvals must have been obtained, including (without limitation) all requisite clearances and necessary government approvals, including the immunization of the Parties from liability under the antitrust laws pursuant to 49 U.S.C. §§ 41308 and 41309 for all activities provided for in this Expansion Agreement, subject to conditions, if any, that are acceptable to both Parties.

7.2 Cooperation. The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavors to fulfill or procure the fulfillment of the conditions set forth in Article 7.1 hereof and shall notify the other Party immediately upon the satisfaction of such conditions. The Parties may jointly agree to waive in writing in whole or in part all or any of the conditions precedent set forth in Article 7.1 hereof.

7.3 Termination for Nonfulfillment of Conditions. In the event of any of the matters set forth under Article 7.1 hereof not having been achieved or obtained (or waived by written consent of the Parties) on or before December 31, 1996, either Party shall (provided it shall have complied with its obligations under Article 7.2 hereof) be entitled to terminate this Expansion Agreement upon written notice to the other Party.

7.4 Subsequent Approvals. The Parties shall cooperate fully and shall individually and collectively use all reasonable endeavors to procure any subsequent Approvals that may become necessary.

ARTICLE 8: DURATION AND TERMINATION

8.1 Indefinite Term. The SK/UA Alliance shall continue indefinitely from the Effective Date until terminated in accordance with the following provisions of this Article 8.

8.2 No Termination During Initial Term. Except as provided in Article 8.4 hereof, neither Party shall be entitled to terminate this Expansion Agreement during an initial term of two years following the Effective Date ("Initial Term").

8.3 Termination Based on Commercial Decision. Except as provided in Article 8.4 hereof, during a further period of two years following the expiration of the Initial Term ("Subsequent Term"), a Party shall only be entitled to terminate this Expansion Agreement, by serving six months' written notice on the other Party, provided that:

8.3.1 the reason for the termination is a Commercial Decision that the Parties have failed to resolve after reasonable effort;

- 8.3.2 the Commercial Decision in question, in the reasonable opinion of the terminating Party, concerns a fundamental, strategic operational or business decision relating to the SK/UA Alliance or to the terminating Party's business or is one of a number of unresolved Commercial Decisions which in the reasonable opinion of the terminating Party cumulatively render a continuation of the SK/UA Alliance between the Parties undesirable for either or both of the Parties;
- 8.3.3 the Parties' failure to resolve such Commercial Decision must, in the reasonable opinion of the terminating Party, create a fundamental adverse effect on the business, prospects or assets of the SK/UA Alliance or of the terminating Party; and
- 8.3.4 the terminating Party has given prior written notice to the other Party that, in the event of the Parties failing to resolve the Commercial Decision, the terminating Party would consider seeking a termination pursuant to this Article 8.3.

Each Party's right to terminate this Expansion Agreement as described in this Section 8.3 shall remain in effect following the expiration of the Subsequent Term, in addition to other termination rights then in effect as provided in Sections 8.4 and 8.5 hereof.

8.4 Termination for Cause. Either Party may terminate this Expansion Agreement at any time with immediate effect by serving written notice on the other Party within four months of the terminating Party first becoming aware of the occurrence of any of the following events:

- 8.4.1 an Insolvency Event in respect of the other Party;
- 8.4.2 a Change of Control in respect of the other Party; or
- 8.4.3 a Material Default which is not capable of remedy or which, if capable of remedy, is not remedied to the terminating Party's reasonable satisfaction within thirty (30) days after that Party has given the other Party written notice requiring it to be remedied; or
- 8.4.4 the withdrawal or termination of immunity from the antitrust laws of the United States.

8.5 Termination Without Cause. After the expiration of the Subsequent Term, either Party shall be entitled to terminate this Expansion Agreement by serving upon the other Party not less than twelve (12) months' notice in writing.

8.6 Effect of Termination. Termination of this Expansion Agreement shall be without prejudice to any rights or liabilities that accrued under this Expansion Agreement prior to such termination.

8.7 Coordination with Termination of 1995 Agreement. Except in the case of an event described in Article 7.3 or 8.4.4, any Party terminating this Expansion Agreement shall also exercise its rights under the 1995 Agreement to terminate that agreement effective as of the same date as the termination of this Expansion Agreement or the earliest date thereafter that is permitted by the terms of the 1995 Agreement. Neither Party shall exercise any right to terminate the 1995 Agreement unless that Party also terminates or has terminated this Expansion Agreement.

ARTICLE 9: GOVERNING LAW AND DISPUTE RESOLUTION

9.1 Governing Law. This Expansion Agreement shall be governed by and construed in accordance with the laws of New York, without reference to the choice of law provisions thereof.

Dispute Resolution. The Alliance Committee shall attempt to resolve any disputes that arise concerning interpretation of this Expansion Agreement or the performance of either Party. The Alliance Committee shall meet within ten (10) days (or within such other mutually agreed period) upon notice by either Party that a dispute exists. If the Alliance Committee cannot resolve any such dispute within thirty (30) days following the first day of such meeting, the dispute shall be referred to the Parties for resolution. If no resolution is reached within thirty (30) days following the referral of the dispute to the Parties, either Party may refer the matter to arbitration as specified in Section 9.3 below.

9.3 Arbitration. After completing the procedure set forth in Section 9.2 above, either Party may refer any dispute concerning interpretation of this Expansion Agreement or performance of contractual obligations hereunder to arbitration. All such disputes shall be finally settled by arbitration. The arbitration shall be conducted in London, U.K. in English by three arbitrators in accordance with UNCITRAL Rules. The appointing authority shall be the London Court of International Arbitration acting in accordance with its rules for this purpose. In each case such rules may be amended by agreement between the Parties or as so ordered by their arbitrators.

9.4 Finality of Arbitration. The decision of the arbitrators appointed pursuant to Article 9.3 shall be final, conclusive and binding on the Parties, who hereby expressly waive all rights of appeal or recourse to any court, except (i) such rights which cannot be waived by the law of the place of arbitration, or (ii) in case of arbitration rulings alleged to be arbitrary, capricious, illegal or without a reasonable basis on the record. All awards and decisions may be enforced in any court of competent jurisdiction.

9.5 Specific Performance. The Parties hereby expressly acknowledge the uniqueness of the benefits to be derived from this Expansion Agreement and the likely inadequacy of damages to afford fully satisfactory relief and therefore agree that the failure of one Party to perform this Expansion Agreement in any Material respect shall entitle the other Party to enforce performance of this Expansion Agreement by seeking an order from the arbitrators compelling the defaulting Party to perform its obligations hereunder. Each Party fully agrees that if it is the Party against which such order for specific performance is sought, it shall not directly or indirectly contest the availability of such remedy under the circumstances of the case.

ARTICLE 10: CONFIDENTIALITY

10.1 Limitation on Disclosure and Use of Information. Except as necessary in any proceeding to enforce any of the provisions of this Expansion Agreement, neither Party will, without the prior consent of the other, use, publicize or disclose to any third party, either directly or indirectly, any of the following (hereinafter "Confidential Information"):

- (i) this Expansion Agreement or any of the terms or conditions of this Expansion Agreement;
- (ii) any Implementing Agreement or the terms or conditions of any Implementing Agreement; or

- (iii) any confidential or proprietary information or data, in any form, received from and designated as such by the disclosing carrier,

unless and to the extent that such Confidential Information consists of documents in the public record.

10.2 Production to Governmental Authority. If a governmental authority requests either Party to produce or disclose to the authority this Expansion Agreement or any of the terms or conditions of this Expansion Agreement, such Party, at its option and after notifying the other Party, may produce or disclose the requested document or information.

10.3 Disclosure to Employees. Each Party will be allowed to disclose, to the extent necessary, this Expansion Agreement or any of the terms or conditions of this Expansion Agreement (or any aspect thereof) to certain of its employees or unions (to the extent required under any collective bargaining agreement or any law providing for consultation rights of employees); provided, however, that UA may make such disclosure to its pilots' union as UA deem appropriate in its sole discretion.

Response to Legal Process. If either Party is served with a subpoena or other legal process requiring the production or disclosure of any Confidential Information obtained from the other Party, then the subpoenaed Party, before complying, will immediately notify the other Party and take reasonable steps to afford that other Party a reasonable period of time to intervene and contest disclosure or production.

10.5 Action Upon Termination. Upon termination of this Expansion Agreement, all Confidential Information, including any copies thereof made by the receiving Party, must be returned to the disclosing carrier or destroyed.

10.6 Exchanged Data. Neither Party shall use information or data provided by the other Party (whether or not designated confidential or proprietary) in connection with this Expansion Agreement except in fulfillment of its obligations hereunder.

10.7 Survival. This Article shall survive the expiration or termination of this Expansion Agreement.

ARTICLE 11: FORCE MAJEURE

Neither Party will be liable for delays or failure in performance under this Expansion Agreement caused by acts of God, war, sabotage, strikes, labor disputes, work stoppage, fire, acts of government or any other event beyond the control of that Party.

ARTICLE 12: WAIVERS

No delay or omission on the part of either Party in exercising any right, power or remedy provided by law or under this Expansion Agreement shall impair such right, power or remedy or operate as a waiver thereof.

12.2 The single or partial exercise by either Party of any right, power or remedy provided by law or under this Expansion Agreement shall not preclude any other or further exercise thereof or the exercise of any other right, power or remedy by that Party.

12.3 The rights, powers and remedies provided in this Expansion Agreement shall be

cumulative and not exclusive of any rights, powers and remedies provided by law.

ARTICLE 13: SEVERABILITY

In the event that any one or more of the provisions of this Expansion Agreement shall be determined to be invalid, unenforceable or illegal, such invalidity, illegality and unenforceability shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement. In that event, or if an Approval is withdrawn or an Approval that becomes necessary subsequent to the Effective Date is not granted, the Parties shall negotiate any appropriate adjustments to the terms of this Expansion Agreement so that the effects of such invalidity, illegality or unenforceability are shared fairly by the Parties. If the Parties are unable to negotiate such an adjustment within a reasonable period of time, such invalidity, illegality or unenforceability shall constitute a Material Default if its effects are Material. If the effects of such invalidity, illegality or unenforceability are not Material, the invalid, illegal or unenforceable provision shall not affect any other provision of this Expansion Agreement, and the Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Expansion Agreement.

ARTICLE 14: NO ASSIGNMENT

No Party shall assign all or any part of the rights or obligations of, or its rights or obligations under, this Expansion Agreement. Any purported assignment of this Expansion Agreement shall have no effect as against the other Party.

ARTICLE 15: HEADINGS

The headings contained in this Expansion Agreement are inserted purely as a matter of convenience and neither form an operative part of it nor are to be used in interpreting its meaning.

ARTICLE 16: GENERAL INDEMNIFICATION

Except as otherwise provided herein,

- each Party shall indemnify and hold harmless the other Party, Affiliates of the other Party, and the directors, officers, employees, and agents of the other Party and its Affiliates from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys' fees and expenses, directly or indirectly incurred by the other Party as the result of any claims that arise out of or in connection with the performance or failure of performance of the indemnifying Party's obligations hereunder; and

- each Party shall indemnify and hold harmless the other Party, Affiliates of the other Party, and the directors, officers, employees, and agents of the other Party or its Affiliates from all liabilities, damages, losses, claims, suits, judgments, costs, and expenses, including reasonable attorneys' fees and expenses, directly or indirectly incurred by the other Party as the result of any claims by third parties that arise out of or in connection with any products or services received from or supplied by the
SK/UA

Alliance

provided always that

- (1) the other Party promptly notifies the indemnifying Party of any such claim in writing;
- (2) the other Party shall cede to the indemnifying Party, if the latter so requests, sole control of the defence and any related settlement negotiations;
- (3) the other Party provides to the indemnifying Party, at the latter's expense, all reasonable information and assistance for such defence or settlement; and
- (4) the indemnifying Party shall not be liable for any settlement of any such claim or suit entered into by the other Party without the former's consent.

This Article shall survive the expiration or termination of this Expansion Agreement.

ARTICLE 17: EXCLUSION OF CONSEQUENTIAL DAMAGES

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOST REVENUES, LOST PROFITS, OR LOST PROSPECTIVE ECONOMIC ADVANTAGE, WHETHER OR NOT FORESEEABLE AND WHETHER OR NOT BASED ON CONTRACT, TORT, WARRANTY CLAIMS OR OTHERWISE IN CONNECTION WITH THIS EXPANSION AGREEMENT, AND/OR THE PRODUCTS OR SERVICES PROVIDED HEREUNDER, AND EACH PARTY HEREBY RELEASES AND WAIVES ANY CLAIMS AGAINST THE OTHER CARRIER REGARDING SUCH DAMAGES. THIS ARTICLE SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS EXPANSION AGREEMENT.

ARTICLE 18: NOTICES

Notices, demands, consents, approvals and any other communication required or permitted under this Expansion Agreement shall be in writing and given to the following persons:

For Scandinavian Airlines System:

Scandinavian Airlines System
Frdsundaviks Allé 1
Solna, S-195 87
Stockholm, Sweden
Attn: Senior Vice President, Business Systems Division
FAX: 46-8-7972940
SITA: STODCSK
and
Vice President and General Counsel
FAX: 46-8-62408 14
SITA: STOUASK

For United:

United Air Lines, Inc.
P.O. Box (WHQVQ) 66100
Chicago, Illinois 60666
U.S.A.
Attn: Senior Vice President-International

United Air Lines, Inc.
P.O. Box (EXOVQ) 66100
Chicago, Illinois 60666
U.S.A.
Attn: General Counsel
FAX (708) 952-7832
SITA: HDQVZUA

Either Party may *change* the above names and/or addresses used for it after providing ten (10) days notice to the other Party. Notices shall be deemed given when received if transmitted by mail or overnight courier. Notices transmitted by teletype or facsimile shall be deemed given when sent if transmitted before 5:00 p.m. local time of the addressee, but shall be deemed given on the next day if so transmitted after 5:00 p.m. local time of the addressee.

ARTICLE 19: NO THIRD-PARTY BENEFICIARIES

This Expansion Agreement is for the benefit of the Parties and is not intended to confer any rights or benefits on any third party.

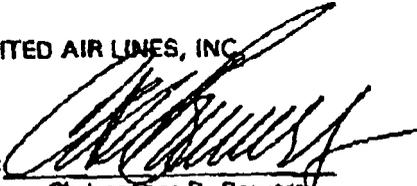
ARTICLE 20: AMENDMENTS

This Expansion Agreement may be modified only by a written instrument duly executed by or on behalf of each Party.

ARTICLE 21: COUNTERPARTS

This Expansion Agreement may be executed in one or more counterparts all of which taken together will constitute one and the same instrument.

UNITED AIR LINES, INC.

By: 
Name: Christopher D. Bowers

Title: Senior Vice President,
International

SCANDINAVIAN AIRLINES SYSTEM

By: _____
Name: Vagn Sorensen

Title: Senior Vice President
Business Systems Division

For United:

United Air Lines, Inc.
P.O. Box (WHQVQ) 66100
Chicago, Illinois 60666
U.S.A.
Attn: Senior Vice President-International

United Air Lines, Inc.
P.O. Box (EXQVQ) 66100
Chicago, Illinois 60666
U.S.A.
Attn: General Counsel
FAX: (708) 952-7832
SITA: HDQVZUA

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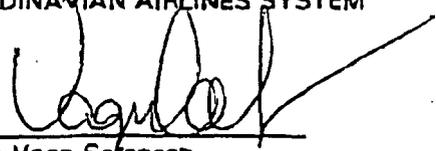
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By: _____
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Title: Senior Vice President,
International

SCANDINAVIAN AIRLINES SYSTEM

By: 
Name: Vagn Sorensen

Title: Senior Vice President
Business Systems Division

SCHEDULE 1

Definitions

“Affiliate” means, in relation to a Party, any Air Carrier in which a Party owns an equity interest of 50% or more; in the case of SK, the SAS Commuter; and such other undertakings as the Alliance Committee may unanimously decide to include in this definition;

“Air Carrier” means (i) any person or entity licensed by a governmental authority to engage in direct air transportation or (ii) any persons or entities affiliated with such an entity, including, but not limited to a parent, subsidiary, or holding company;

“and/or” means, in relation to two or more items linked by this conjunction, any of the items, or both or all of the items;

“Approval” means any consent, ruling, approval, authorization license, confirmation, exemption or waiver required or considered appropriate by the Parties in connection with the conclusion and/or implementation of the SK/UA Alliance (except one whose absence has no Material adverse effect on the Alliance and the Parties);

“Change of Control” means the occurrence of any of the following events:

(i) the direct or indirect beneficial ownership of 20% or more of the voting stock of UAL or any of the listed companies constituting SK is acquired or becomes held by an Air Carrier that is not one of the Parties to this Expansion Agreement; or

(ii) the direct, or indirect beneficial ownership of 50% or more of the voting stock of UAL or of any of the listed companies constituting SK is acquired or becomes held by any person or persons acting as a group without having held such an interest on the date of this Expansion Agreement, but notwithstanding the foregoing, acquisition of stock by an employee or employee group of UA or UAL shall not be deemed a Change of Control; or

(iii) the sale, mortgage, lease or other transfer in one or more transactions other than to a company in which a Party owns an equity interest of 50% or more, not in the ordinary course of business, of assets constituting more than 50% of the assets of a Party

other than for the purposes of a bona fide and solvent consolidation, amalgamation or restructuring;

“Code Sharing” means the operation by one Air Carrier of flights for which seats are offered for sale by another Air Carrier using its own designator code alone or jointly with the operating carrier’s designator code;

“Commercial Decision” means an operational or business decision within the Alliance Committee’s area of responsibility, as described in Article 3.3.;

“Commuter Carrier” means all regional or commuter Air Carriers that are, or subsequent to the Effective Date become, contractually entitled to operate flights under the Party’s airline designator code, but do not include Affiliates of the Party;

“Cooperation Agreement” means the Cooperation Agreement entered into between SK and UA dated

as of September 1, 1995.

“Cooperative Agreement” means any significant code-sharing agreement, alliance agreement, or other agreement between Air Carriers for broad commercial cooperation similar to the cooperation contemplated herein, but not including special prorate agreements;

“Effective Date” means the date on which the Parties jointly acknowledge to each other in writing that all Conditions set forth in Article 7.1 herein have been satisfied;

“Expansion Agreement” means the instant agreement including all schedules;

“Europe” means all places in the territory of geographical Europe, all the republics formerly comprising the Soviet Union (and any successor states), and Turkey;

“Frequent Flyer Program” means a program or scheme operated by or for one or more Air Carriers under which passengers may earn awards for free travel and/or other benefits;

“Implementation Plan” means the plan for implementing the SK/UA Alliance as provided in this Expansion Agreement, to be agreed between the Parties pursuant to Article 5.1;

“Implementing Agreement” means an agreement to be concluded between the Parties after the date of and pursuant to this Expansion Agreement, which agreement is intended to define further the details of and put into effect the SK/UA Alliance as provided in this Expansion Agreement;

“Initial Term” means the period commencing on the Effective Date and lasting for two years thereafter;

“Insolvency Event” means the occurrence of any of the following events or any analogous event, in relation to a Party, in any part of the world:

(i) any distress, execution, sequestration or other process being levied or enforced upon or sued out against a Material part of its undertaking, property or assets which is not discharged within 60 days;

(ii) it being unable to pay its debts generally;

(iii) it having ceased or threatening to cease wholly or substantially to carry on its business, otherwise than for the purpose of a solvent reconstruction or amalgamation;

(iv) any encumbrancer taking possession of or a receiver, administrator or trustee being appointed over the whole or any Material part of its undertaking, property or assets; or

(v) an order being made or resolution passed for its winding up, otherwise than for the purpose of a solvent reconstruction;

“Joint Alliance Committee” or “Alliance Committee” means the operational alliance committee established pursuant to Article 3.1 of this Expansion Agreement, and vested with responsibilities as set forth in Article 3.2 of this Expansion Agreement;

“SK” means Scandinavian Airlines System, a consortium organized under the laws of Denmark, Norway and Sweden, and having its principal executive office at Frdsundaviks Allé 1, Solna, S-I 95 87,

Stockholm, Sweden;

"SK/UA Alliance" means the alliance formed by the Parties on the basis of and as generally described in Article 2.1;

"Material", when used in relation to a Party, means such that, in the reasonable opinion of the terminating or enforcing Party, it does or would;

(i) prevent the Party in relation to which the expression is used from performing¹ its fundamental obligations to that other Party under this Expansion Agreement; or

(ii) substantially deprive that other Party of the benefit of the performance by the Party in relation to which the expression is used of its obligations to the other Party under this Expansion Agreement; or

(iii) have a fundamental adverse effect on the business, prospects or assets of the SK/UA Alliance or the other Party,

and the term "Materially" shall be interpreted accordingly;

"Material Default" means a failure by either Party in the performance or observance of any obligation set out in this Expansion Agreement or in any Implementing Agreement that is Material;

"1995 Agreement" means considered together the Cooperation Agreement and the Code Share Agreement concluded between the Parties dated as of September 1, 1995;

"Party" means SK or UA;

"Subsequent Term" means the period commencing on the date of conclusion of the Initial Term and lasting for two years thereafter;

"UA" means United Air Lines, Inc., a corporation organized and existing under the laws of the state of Delaware and having its principal executive office at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, U.S.A., and any Affiliates it may have;

"UA Express" means those independent U.S. flag domestic carriers operating under the "United Express" servicemark and trade name, pursuant to written agreement with UA; and

"UAL" means UAL Corporation, a corporation organized and existing under the laws of the state of Delaware and having its principal executive office at 1200 East Algonquin Road, Elk Grove Township, Illinois 60007, U.S.A., that is the parent of UA.

"United States" means all places in the fifty states comprising the United States, the District of Columbia and any territory, trust territory or possession of the United States, including Puerto Rico, Guam, American Samoa and the Virgin Islands.