

UAL INC.

P.O. Box 66919, Chicago, Illinois 60666

OFFICE OF THE CHAIRMAN

March 31, 1986

TO OUR SHAREHOLDERS:

The Board of Directors joins me in extending to you a cordial invitation to attend the 1986 Annual Meeting of Shareholders. The meeting will be held at Citibank, 12th Floor Auditorium, 399 Park Avenue, New York, New York, at 10:00 a.m., New York time, on Thursday, April 24, 1986.

In addition to the matters set forth in the accompanying Notice of Annual Meeting and Proxy Statement, the shareholders present will hear reports on the affairs of UAL, Inc. and its subsidiaries. There will be an opportunity to discuss matters of interest to you as a shareholder.

It is important that your shares be represented at the meeting whether or not you plan to attend in person. Therefore, please sign and return the enclosed proxy in the envelope provided. If you do attend the meeting and desire to vote in person, you may do so even though you have previously sent in a proxy.

We hope that you will be able to attend the meeting and we look forward to seeing you. If you plan to attend, please request an admission card by marking the proxy card in the space provided.

Very sincerely yours,



RICHARD J. FERRIS

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MICROFILMED BY

Q-DATA CORP.

ST. PETERSBURG, FLORIDA U.S.A.

UAL INC.

P.O. Box 66919, Chicago, Illinois 60666

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS April 24, 1986

The Annual Meeting of Shareholders of UAL, Inc., a Delaware corporation, will be held at Citibank, 12th Floor Auditorium, 399 Park Avenue, New York, New York, on Thursday, April 24, 1986, at ten o'clock in the forenoon, New York time, for the following purposes:

1. To elect a Board of seventeen directors.
2. To consider and act upon a proposal to ratify the appointment of Arthur Andersen & Co. as independent public accountants for 1986.
3. To consider and act upon a proposal to amend the 1981 Incentive Stock Program.
4. To consider and act upon a shareholder proposal concerning prior government service.
5. To consider and act upon a shareholder proposal for a report by the Board of Directors.
6. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

The close of business on February 24, 1986 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the meeting. A list of such shareholders will be open for examination during ordinary business hours by any shareholder for any purpose germane to the meeting at Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York, for a period of ten days prior to the meeting.

By order of the Board of Directors,

JOSEPH T. KANE
*Vice President
and Secretary*

Chicago, Illinois
March 31, 1986

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UAL INC.

P.O. Box 66919 • Chicago, Illinois 60666

PROXY STATEMENT ANNUAL MEETING OF SHAREHOLDERS, APRIL 24, 1986

This Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors of UAL, Inc. (hereinafter referred to as "UAL" or the "Corporation") to be used at the Annual Meeting of Shareholders of UAL to be held on April 24, 1986, and at any and all adjournments thereof. The meeting has been called for the purposes set forth in the notice of the meeting. Any proxy given pursuant to this solicitation may be revoked by the shareholder at any time prior to the voting of the proxy either by written notice to the Secretary of the Corporation, by delivery of a later-dated proxy or in person at the meeting. The approximate date of mailing this Proxy Statement and enclosed proxy is March 31, 1986.

At the close of business on February 24, 1986, UAL had outstanding 45,180,423 shares of Common Stock, \$5 par value ("Common Stock") of which 45,128,927 shares are entitled to vote (the balance being treasury shares); and 37,439 shares of 5-1/2% Cumulative Prior Preferred Stock, \$100 par value ("Prior Preferred Stock").

Holders of Common Stock and Prior Preferred Stock of record at the close of business on February 24, 1986, voting together as a single class, will be entitled to one vote per share on the election of directors and on all other business to be transacted at the meeting.

The affirmative vote, in person or by proxy, of a majority of all outstanding shares of Common Stock and Prior Preferred Stock present at the Annual Meeting, voting together as a single class, will be necessary for the adoption of all proposals.

ELECTION OF DIRECTORS

Except where authority has been withheld by a shareholder, the enclosed proxy will be voted for the election of the seventeen nominees hereinafter named to the Board of Directors for a term of one year and until their successors are duly elected and qualified. With the exception of Frank A. Olson, each director was previously elected by the shareholders. Each nominee has served continuously as a director for the



Neil A. Armstrong

period succeeding the date of his or her election and the terms of all nominees will expire at this Annual Meeting.

In the event any one or more of the following named nominees shall unexpectedly become unavailable before election, votes will be cast pursuant to authority granted by the enclosed proxy for such person or persons as may be designated by the Board of Directors. No person, other than the directors of UAL acting solely in that capacity, is responsible for the naming of the nominees.

Pertinent information about each nominee for election as a director is hereinafter set forth.

United Air Lines, Inc., Westin Hotel Company, and The Hertz Corporation, the principal subsidiaries of UAL, are sometimes referred to herein as "United", "Westin" and "Hertz", respectively.

Chairman, Computing Technologies for Aviation, Inc.
Charlottesville, Virginia

Director since 1978
Age 55

Mr. Armstrong was elected Chairman of Computing Technologies for Aviation, Inc. (computer systems for aviation applications) in 1982. He was formerly associated with Cardwell International, Ltd. as Chairman, and from 1971 through 1979 served as Professor of Aerospace Engineering at the University of Cincinnati. Mr. Armstrong joined the National Aeronautics and Space Administration in 1955 and was in the astronaut program from 1962 to 1970 and subsequently became Deputy Associate Administrator of NASA.

Mr. Armstrong is also a director of Cincinnati Gas & Electric Company, Cincinnati Milacron, Inc., Eaton Corporation, Gates Learjet Corp., Taft Broadcasting Co. and United States Steel Corporation.



Andrew F. Brimmer

President, Brimmer & Company, Inc.
Washington, D.C.

Director since 1976
Age 59

Dr. Brimmer formed Brimmer & Company, an economic and financial consulting firm, in 1976, after having served as the Thomas Henry Carroll Ford Foundation Visiting Professor in the Graduate School of Business Administration of Harvard University. He was a Member of the Board of Governors of the Federal Reserve System from 1966 to 1974 and prior to that time was Assistant Secretary for Economic Affairs of the U.S. Department of Commerce.

Dr. Brimmer is also a director of American Security Corporation and American Security Bank, BankAmerica Corporation and Bank of America National Trust and Savings Association, BellSouth Corporation, E.I. du Pont de Nemours & Company, Gannett Company, Navistar International and Connecticut Mutual Life Insurance Company, a trustee of the College Retirement Equities Fund, and a governor of Commodity Exchange, Inc.



Richard P. Cooley

Chairman and Chief
Executive Officer, SEAFIRST
Corporation and Seattle-First National
Bank, Seattle

Director since 1970
Age 62

Mr. Cooley was elected Chairman, President and Chief Executive Officer of SEAFIRST Corporation and Seattle First National Bank in 1983. He served as President until 1985 and continues as Chairman and Chief Executive Officer. Mr. Cooley was previously affiliated with Wells Fargo Bank as Chairman, President and Chief Executive Officer and as President and Chief Executive Officer of Wells Fargo & Company.

Mr. Cooley is also a director of BankAmerica Corporation and Howmet Turbine Components Corporation, and a trustee of Rand Corporation.



John L. Cowan

Vice Chairman and Chief
Financial Officer, UAL, Inc.

Director since 1983
Age 58

Mr. Cowan joined United in 1977 as Senior Vice President-Finance. In 1978 he was elected Treasurer of UAL and Senior Vice President-Administration and Finance in 1980. Prior to his service with United and UAL, Mr. Cowan had served as Vice President-Sales and as Vice President-Finance for the Norfolk and Western Railway Company, and had held key financial positions with Continental Oil Company, Consolidation Coal Company and in the petroleum department of Citibank in New York.



E. Mandell de Windt

Chairman of the Board
and Chief Executive Officer
Eaton Corporation, Cleveland

Director since 1976
Age 64

Mr. de Windt joined Eaton Corporation, a manufacturer of advanced technology products for the automotive, electronics, defense and capital goods markets worldwide, in 1941. He served in various capacities, becoming Vice President-Sales in 1959 and Group Vice President-International in 1961. He was elected a director in 1964, President in 1967 and Chairman of the Board and Chief Executive Officer in 1969.

Mr. de Windt is also a director of Ameritech, Dart & Kraft, Inc., Sears, Roebuck & Company and The Louisiana Land and Exploration Company, and a director and chairman of Birmingham Steel Corporation.



Richard J. Ferris

Chairman, President and Chief Executive Officer, UAL, Inc., and Chairman, United Air Lines, Inc.

**Director since 1975
Age 49**

Mr. Ferris was elected President of UAL in 1978, Chief Executive Officer in 1979 and Chairman in 1982.

Mr. Ferris joined United in 1971 as President of United's Food Services Division, after serving in various capacities with Westin. He was named Group Vice President-Marketing Services in 1974 and elected President in 1975, which office he held until 1978. Mr. Ferris also served as Chief Executive Officer of United during the period 1976-1985 and as Chairman since 1978.

Mr. Ferris is also a director of the Procter & Gamble Company and Amoco Corporation.



Walter A. Haas, Jr.

**Honorary Chairman of the Board Levi Strauss & Co.
San Francisco**

**Director since 1979
Age 70**

Mr. Haas joined Levi Strauss & Co., a designer, manufacturer and marketer of a diversified line of casual apparel, in 1939. He was elected President and Chief Executive Officer in 1958 and Chairman of the Board in 1970. Mr. Haas retired as Chairman of the Board in 1981. He, however, continued to serve as Chairman of the Executive Committee until 1985.

Mr. Haas is also a director of BankAmerica Corporation and Bank of America National Trust and Savings Association, and a member of the Stanford Research Institute and of the Tri-Lateral Commission.



James J. Hartigan

President and Chief Executive Officer
United Air Lines, Inc.

Director since 1981
Age 61

Mr. Hartigan joined United in 1942, and, except for military service, has served in various capacities with United since that time. Mr. Hartigan was elected President in 1981 and Chief Executive Officer in 1985. Prior to assuming his current duties, he served as Group Vice President-Operations Services (1975-1980) and Executive Vice President (1980-1981).

Mr. Hartigan is also a director of the Roper Corporation, and has been nominated by First Chicago Corporation to serve on its Board of Directors.



William M. Jenkins

Retired Chairman
SEAFIRST Corporation and
Seattle-First National Bank
Seattle

Director since 1971
Age 66

Mr. Jenkins joined Seattle-First National Bank in 1945 and, after serving in various officer positions, was named Chairman of the Board and Chief Executive Officer in 1962. In 1974, upon the formation of SEAFIRST Corporation, Mr. Jenkins was also elected Chairman and Chief Executive Officer of that bank holding company. He retired from these offices in 1982.

Mr. Jenkins is also a director of Scott Paper Company and Safeco Corporation.



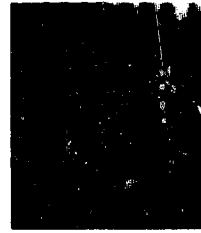
Jusanita M. Kreps

**Economist and Former Secretary of
Commerce
Durham, North Carolina**

**Director since 1979
Age 65**

**Dr. Kreps served as Secretary of
Commerce of the United States from
January, 1977 until November, 1979.
Prior to her government service, Dr.
Kreps was a member of the faculty of
Duke University and held the position of
James B. Duke Professor of Economics.
She also served as Vice President of the
University from 1973 to 1977.**

**Dr. Kreps is also a director of American
Telephone and Telegraph Company,
Armco, Inc., Chrysler Corporation,
Citicorp, Deere and Co., Eastman Kodak
Co., J. C. Penney Company, Inc., R. J.
Reynolds Industries, Inc., and Zurn
Industries, a trustee of the Duke
Endowment, a trustee of the Teachers
Insurance and Annuity Corporation and
member of the College Retirement and
Equity Fund.**



Charles F. Luce

**Partner, Preston, Thorgrimson,
Ellis and Holman
Portland, Oregon**

**Director since 1969
Age 68**

**Mr. Luce served as Chairman of the
Board and Chief Executive Officer of
Consolidated Edison Company of New
York, Inc., from 1967 to 1981, and as
Chairman of the Board until his
retirement in 1982 when he joined the
law firm of Preston, Thorgrimson, Ellis
and Holman. From 1961 to 1966 he was
administrator of the Bonneville Power
Administration and thereafter until August,
1967 served as Undersecretary of the
Interior.**

**Mr. Luce is also a director of
Metropolitan Life Insurance Company and
Ureca, Inc. He also serves as a trustee
of the Consolidated Edison Company of
New York, Inc., and is a member of the
Board of Advisers of Barclays North
American.**



John F. McGillicuddy

Chairman of the Board and Chief Executive Officer, Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company New York

Elected a Director in 1984
Age 55

Mr. McGillicuddy joined Manufacturers Hanover in 1958. He was elected President of Manufacturers Hanover Corporation and Manufacturers Hanover Trust Company in 1971 and Chairman, President and Chief Executive Officer of the companies in 1979. He assumed his current title in March, 1982.

Mr. McGillicuddy is also a director of The Continental Corporation, Dart & Kraft, Inc., and United States Steel Corporation, and a member of the Business Roundtable, the Business Council, the Conference Board and the Association of Reserve Bankers, and a trustee of Princeton University.



Fujio Matsuda

Executive Director
Research Corporation
University of Hawaii, Honolulu

Director since 1975
Age 61

Dr. Matsuda was named Executive Director of the Research Corporation in 1984. Dr. Matsuda has been affiliated with the University of Hawaii since 1955 as a Professor of Civil Engineering and, subsequently, Chairman of the Department of Civil Engineering. He was named President of the University of Hawaii in 1974 and served in that capacity until he assumed his present position. During the period 1963-1973, he also served as Director of the Department of Transportation of the State of Hawaii.

Dr. Matsuda is also a director of First Hawaiian Bank, C. Brewer and Company, Ltd., Hawaiian Electric Co., Hawaiian Electric Industries, Inc., and Hawaii Institute of Electronics Research, and Vice Chairman and director of Pacific International Center for High Technology Research.



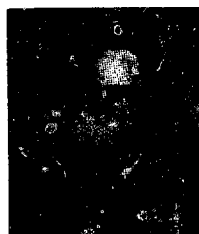
Harry Mullikin

**Chairman and Chief Executive Officer
Westin Hotel Company
Seattle**

**Director since 1974
Age 58**

Mr. Mullikin has been associated with Westin or one of its predecessor companies since 1941. He was first elected an officer of the hotel company in 1963 and to the Board of Directors in 1965. Mr. Mullikin was elected President in 1973, which position he held until 1984. He has served as Chief Executive Officer since 1977 and as Chairman since 1981.

Mr. Mullikin is also a director of SEAFIRST Corporation and Seattle-First National Bank.



James J. O'Connor

**Chairman, President and
Chief Executive Officer
Commonwealth Edison Company
Chicago**

**Director since 1984
Age 49**

Mr. O'Connor joined Commonwealth Edison in 1963. He was first elected a Vice President in 1970, Executive Vice President in 1973 and was named President in 1977. Mr. O'Connor has served in his present position since 1980.

Mr. O'Connor is also a director of Bell & Howell and its subsidiary DeVry, Inc., Borg-Warner Corporation, Corning Glass Works, and The Tribune Company.



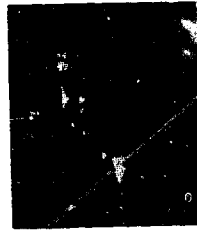
Frank A. Olson

Chairman of the Board
and Chief Executive Officer
The Hertz Corporation
New York

Director since 1985
Age 53

Mr. Olson is a 35-year veteran of the rent-a-car industry. He joined Hertz in 1964 and, after serving in various capacities, was named Vice President and General Manager of the Rent-a-Car Division in 1970, elected Executive Vice President in 1973 and President and Chief Executive Officer in 1977. He has served in his present position since 1980.

Mr. Olson is also a director of Becton, Dickinson and Company.



Nicholas R. Petry

Chairman of the Board
Petry-Vappi Construction Co.
Denver

Director since 1972
Age 67

Mr. Petry was elected President of Petry-Vappi Construction Co. upon its formation in 1975, and was named Chairman in 1980. He is also Managing Partner of N. G. Petry Construction Co., President and Director of N. R. Petry Co., and Chairman of Bear Valley Corporation.

Mr. Petry is also a director of Eaton Corporation, Colorado National Bankshares, Inc., Public Service Company of Colorado, Pogo Producing Company and the University of Colorado Foundation, and Chairman of the Board of Colorado National Bank and of the National Western Stock Show Association.

Securities Beneficially Owned by Directors and Officers

The following table sets forth the number of shares of Common Stock of UAL beneficially owned as of February 24, 1986, by all directors and nominees and by directors and officers of UAL, as a group. None of the directors, nominees or officers own any shares of UAL Prior Preferred Stock.

<u>Name of Director and Group</u>	<u>Number of Shares(1)</u>
Neil A. Armstrong	300
Andrew F. Brimmer	170 (2)
Richard P. Cooley	683
John L. Cowan	20,517 (3)
E. Mandell de Windt	250
Richard J. Ferris	79,106 (4)
Walter A. Haas, Jr.	1,000
James J. Hartigan	20,388 (5)
William M. Jenkins	8,000
Juanita M. Kreps	100
Charles F. Luce	1,500
Fujio Matsuda	100
John F. McGillicuddy	500
Harry Mullikin	38,592 (6)
James J. O'Connor	200
Frank A. Olson	700
Nicholas R. Petry	2,200
Directors and Officers as a Group (25 persons)	193,111 (7)

- (1) No director or officer of UAL individually owns one percent of the outstanding shares of Common Stock. The directors and officers as a group own less than one percent of the Common Stock deemed outstanding.
- (2) Includes 40 shares owned by Dr. Brimmer's wife and 25 owned by his daughter.
- (3) Includes 19,390 shares which Mr. Cowan had the right to acquire within 60 days of February 24, 1986, by the exercise of stock options.
- (4) Includes 75,753 shares which Mr. Ferris had the right to acquire within 60 days of February 24, 1986, by the exercise of stock options and 1,506 shares held in trust for or owned by his sons.

- (5) Includes 16,822 shares which Mr. Hartigan had the right to acquire within 60 days of February 24, 1986, by the exercise of stock options.
- (6) Includes 34,697 shares which Mr. Mullikin had the right to acquire within 60 days of February 24, 1986, by the exercise of stock options.
- (7) Includes 159,497 shares which persons in the group had the right to acquire within 60 days of February 24, 1986, by the exercise of stock options; the 65 shares referred to in note (2); and the 1,506 shares referred to in note (4).

Beneficial Owners of Securities

The following beneficial owner of Common Stock is the only person or firm known to the management of UAL who beneficially owns five percent or more of the voting securities of UAL as of February 24, 1986, as determined from the records of UAL or from information provided by the registered holder or beneficial owner of the securities:

<u>Title Of Class</u>	<u>Name and Address</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percent of Class</u>
Common	The Prudential Insurance Co. of America Prudential Plaza Newark, New Jersey 07101	2,475,540 (1)	5%

- (1) Pursuant to information received on Schedule 13G concerning beneficial ownership of shares.

Board of Directors and Committees

The Board of Directors of UAL held a total of ten meetings during 1985. All directors attended 75 percent or more of the total of such meetings and meetings of Board committees of which they were members.

The committees of the Board of Directors of UAL consist of the Executive, Audit, Compensation and Stock Option, and Pension and Welfare Plans Oversight Committees. The Board of Directors has not appointed a nominating committee but the Executive Committee considers possible nominees for election to the Board of Directors and makes recommendations to the Board of Directors. Set forth below is a brief description of the functions performed and the number of meetings held by each committee during 1985 and the names of the current members.

Executive Committee

The Executive Committee is authorized by the By-Laws of the Corporation to exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation with certain exceptions. The Committee has been given the responsibility by the Board of Directors to review periodically the composition of the Board of Directors and to recommend candidates for election as directors. In this respect, it acts as a nominating committee. The Committee will consider nominees recommended by shareholders who may submit such recommendations by addressing a letter to the Chairman of the Committee at the Executive Offices of UAL containing information as to the qualifications of the persons so recommended. The Executive Committee met seven times during 1985.

The current members of the Committee are:

Richard J. Ferris, Chairman
E. Mandell de Windt
William M. Jenkins

Charles F. Luce
Nicholas R. Petry

Audit Committee

The Audit Committee is authorized by the Board of Directors to review with UAL's independent public accountants the annual financial statements of the Corporation prior to publication; to review the work of, and approve non-audit services performed by, such independent accountants; and, annually, to make recommendations to the Board of Directors for the appointment of independent public accountants for the ensuing year. The Committee reviews the effectiveness of the financial and accounting functions, organization, operations and management of UAL and its subsidiaries and affiliates. The Audit Committee held two meetings during 1985.

The current members of the Committee are:

Nicholas R. Petry, Chairman
Neil A. Armstrong
Walter A. Haas, Jr.

William M. Jenkins
James J. O'Connor

Compensation and Stock Option Committee

The Compensation and Stock Option Committee reviews and recommends to the Board of Directors the compensation and benefits of all officers of UAL and the principal officers of its subsidiaries and reviews general policy matters relating to compensation and benefits of employees of the Corporation and its subsidiaries. The Committee also exercises the powers and performs the duties of the Stock Option Committee provided for in the 1969 Qualified Stock Option Plan and 1981 Incentive Stock Program of UAL. The Compensation and Stock Option Committee met two times during 1985.

The current members of the Committee are:

Richard P. Cooley, Chairman
E. Mandell de Windt

John F. McGillicuddy
James J. O'Connor

Pension and Welfare Plans Oversight Committee

The Pension and Welfare Plans Oversight Committee exercises oversight with respect to compliance by the Corporation and its subsidiaries with laws governing employee benefit plans under the Employees' Retirement Income Security Act of 1974 ("ERISA"). Reports of the subsidiaries concerning ERISA employee benefit plan matters are reviewed by the Committee and the Committee periodically reports its actions, findings and recommendations to the Board of Directors. The Committee met five times during 1985.

The current members of the Committee are:

Juanita M. Kreps, Chairman
Andrew F. Brimmer

Charles F. Luce
Fujo Matsuda

Executive Compensation

The following table shows all cash compensation paid during or with respect to the 1985 fiscal year for services rendered in all capacities to the Corporation and its subsidiaries by each of the executive officers of UAL, the President and Chief Executive Officer of United, and the Chairman and Chief Executive Officer of Westin:

Cash Compensation Table

<u>Name of Individual or Number in Group</u>	<u>Capacities in Which Served</u>	<u>Salary(1)</u>	<u>Incentive Bonus(2)</u>
Richard J. Ferris	Chairman, President and Chief Executive Officer of UAL; Chairman of United	\$521,568	\$361,250
John L. Cowan	Vice Chairman and Chief Financial Officer of UAL	\$279,347	\$168,000
James J. Hartigan.....	President and Chief Executive Officer of United	\$377,939	\$267,750
Harry Mullikin.....	Chairman and Chief Executive Officer of Westin	\$302,863	\$183,300
Edward H. Hoenicke..	Senior Vice President and General Counsel of UAL and United	\$198,421	\$ 95,025
All executive officers as a group (6 persons which include the 3 executive officers of UAL)..		\$1,800,080 (3)	\$1,075,325

- (1) Amounts included consist of salary payments for the 1985 fiscal year, amounts deferred pursuant to section 401(k) of the Internal Revenue Code, and income tax reimbursements for United travel and Westin hotel benefits.
- (2) These amounts represent bonus awards made in 1985 for 1984 service.
- (3) Includes cash compensation paid to Frank A. Olson, Chairman and Chief Executive Officer of Hertz since August 30, 1985, when UAL acquired Hertz.

None of the individuals listed above received other compensation not reported elsewhere in this statement in excess of the lesser of \$25,000 or ten percent of his cash compensation; nor did the aggregate amount of other compensation received by the group listed above exceed the lesser of \$25,000 times the number of persons in the group or ten percent of the group's cash compensation.

COMPENSATION PURSUANT TO PLANS

Pension Plans

Officers of UAL, United and Westin participate in pension plans qualified under the Internal Revenue Code, which provide them with a defined benefit at retirement. The amount of the normal retirement benefit under these plans is determined as a percentage of final average compensation (highest five of last ten years of covered compensation), based upon years of participation and offset by the participant's estimated Social Security benefit. Compensation covered by the plans includes only base compensation in the case of Westin's qualified plan, includes all cash compensation in the case of UAL and United and excludes all other compensation. UAL, United and Westin also maintain non-qualified supplemental retirement plans for key employees, including their officers, under which deferred incentive compensation bonuses are included in the compensation base in the year earned in determining retirement income. Set forth below is a table indicating pension benefits applicable under the plans to participants in specified remuneration and years of service classifications (United and UAL benefits are shown in Roman type; Westin benefits are shown in italics):

Final Five Years Average Earnings	Years of Participation in Plan					
	15	20	25	30	35	40
\$175,000	\$ 43,192	\$ 57,488	\$ 71,886	\$ 86,283	\$100,680	\$105,055
	<i>43,078</i>	<i>57,437</i>	<i>71,797</i>	<i>86,156</i>	<i>100,516</i>	<i>108,500</i>
225,000	56,062	74,618	93,306	111,993	130,680	136,305
	<i>55,941</i>	<i>74,587</i>	<i>93,234</i>	<i>111,881</i>	<i>130,528</i>	<i>139,500</i>
275,000	68,932	91,748	114,726	137,703	160,680	167,555
	<i>68,803</i>	<i>91,737</i>	<i>114,672</i>	<i>137,606</i>	<i>160,541</i>	<i>170,500</i>
325,000	81,802	108,878	136,146	163,413	190,680	198,805
	<i>81,666</i>	<i>108,887</i>	<i>136,109</i>	<i>163,331</i>	<i>190,553</i>	<i>201,500</i>
375,000	94,672	126,008	157,566	189,123	220,680	230,055
	<i>94,528</i>	<i>126,037</i>	<i>157,547</i>	<i>189,056</i>	<i>220,566</i>	<i>232,500</i>
425,000	107,542	143,138	178,986	214,833	250,680	261,305
	<i>107,391</i>	<i>143,187</i>	<i>178,984</i>	<i>214,781</i>	<i>250,578</i>	<i>263,500</i>
475,000	120,412	160,268	200,406	240,543	280,680	292,555
	<i>120,253</i>	<i>160,337</i>	<i>200,422</i>	<i>240,506</i>	<i>280,591</i>	<i>294,500</i>
525,000	133,282	177,398	221,826	266,253	310,680	323,805
	<i>133,116</i>	<i>177,487</i>	<i>221,859</i>	<i>266,231</i>	<i>310,603</i>	<i>325,500</i>
575,000	146,152	194,528	243,246	291,963	340,680	355,055
	<i>145,978</i>	<i>194,637</i>	<i>243,297</i>	<i>291,956</i>	<i>340,616</i>	<i>356,500</i>

The above illustration is based on retirement at age 65 and selection of a straight life annuity (other annuity options are available, which would reduce the amounts shown above). Credited service for persons named in the cash compensation table is as follows: Mr. Ferris—14 years; Mr. Cowan—7 years; Mr. Hartigan—36 years; Mr. Mullikin—32 years; and Mr. Hoenicke—7 years. The amounts shown have been reduced by the current estimated Social Security benefit, but the amounts do not reflect limitations imposed by the Employee Retirement Income Security Act of 1974 ("ERISA") on retirement benefits which may be paid under plans qualified under the Internal Revenue Code. UAL, United and Westin, however, maintain non-qualified pension plans for their officers to pay those benefits under the qualified plans which would otherwise be subject to the ERISA limitations.

Stock Option Plans

UAL maintains a 1969 Qualified Stock Option Plan and a 1981 Incentive Stock Program. These plans provide for the grant of options for periods of five to ten years to key employees of UAL and its affiliates to purchase UAL Common Stock at prices equal to at least 100% of value on the date of grant. The 1981 Incentive Stock Program also provides for the issuance of stock appreciation rights with respect to UAL Common Stock. No stock appreciation rights have been granted. No more options may be granted under the 1969 Qualified Stock Option Plan. Both plans are administered by the UAL Compensation and Stock Option Committee. Both plans have been previously approved by the shareholders.

The tabulation below shows as to the persons named in the cash compensation table, and as to all current executive officers of UAL as a group, the following information with respect to stock options: (i) the options granted from January 1, 1981 to February 24, 1986, (ii) the average per share exercise price, (iii) the net value of shares realized during such period upon the exercise of such options, and (iv) shares of UAL common stock sold during the period by current officers who exercised options during that period:

	<u>Richard J. Ferris</u>	<u>John L. Cowan</u>	<u>James J. Hartigan</u>	<u>Harry Mullikin</u>	<u>Edward H. Hoenicke</u>	<u>All Executive Officers as a Group</u>
Granted—1/1/81 to 2/24/86:						
Number of Shares	97,252	44,920	71,146	46,150	25,040	320,378
Average per share option price	\$ 30.64	\$ 28.26	\$ 30.56	\$ 28.48	\$ 28.42	\$ 30.16
Exercised—1/1/81 to 2/24/86:	19,453	30,897	39,707	8,423	15,600	140,330
Net value realized in shares (market value less exercise price) ...	\$187,235	\$611,202	\$908,923	\$139,911	\$569,775	\$2,788,965
Sold—1/1/81 to 2/24/86:						
Number of shares	19,453	32,770	36,241	8,029	9,630	132,373

Other Plans

UAL and United each has a Management Incentive Plan for key employees and officers, in which Messrs. Ferris, Cowan, Hartigan and Hoenicke are eligible participants. The granting of awards and the size thereof depends upon the degree to which Company financial targets approved by the Compensation and Stock Option Committee are reached or exceeded, and the extent to which individual performance objectives set by the company's management (or by the Compensation and Stock Option Committee in the case of UAL's Chief Executive Officer and United's Chief Executive Officer) are attained or exceeded. Performance is measured annually and awards are vested in the year awarded. Awards may be granted up to a maximum of 135% of a participant's base salary. Awards may be paid in the year awarded or may be deferred, pursuant to a prior election by a participant, to a period selected by the participant. Except for awards made in 1985 for 1984 performance, no awards were made under the Plan

during the period January 1, 1981 to February 24, 1986. The awards made in 1985 to Messrs. Ferris, Cowan, Hartigan and Hoenicke are set out in the "Cash Compensation Table." Total awards made to all current officers and employees of UAL during the period January 1, 1981 to February 24, 1986 were \$1,076,390. No awards will be made for the year 1985.

Westin has an Executive Compensation Plan for its key employees. UAL's Chairman reviews Mr. Mullikin's performance annually to determine if a bonus should be awarded to him under the Westin plan. Total bonuses awarded to Mr. Mullikin for the period January 1, 1981 to February 24, 1986 were \$253,300.

UAL and United each maintains a split-dollar insurance program, which provides senior executive employees, including Messrs. Ferris, Cowan, Hartigan and Hoenicke, a life insurance benefit equal to three times the insured's annual base salary. The company pays the insurance premium for the first seven years, and the insured pays the premium thereafter. The company recovers its premium from the cash value of the policy at the insured's termination of service or retirement. Total premiums paid for Messrs. Ferris, Cowan, Hartigan and Hoenicke during the period January 1, 1981 to February 24, 1986, were \$24,645; \$28,943; \$39,578; and \$18,577, respectively, and total premiums paid for all current officers and employees of UAL during that period were \$133,119.

Westin maintains a supplementary medical insurance plan for its officers and certain key employees, including Mr. Mullikin. This insurance plan, the premiums for which are paid by Westin, pays the cost of any medical expenses for covered employees and their families which are not paid by the regular group medical insurance plan covering Westin employees.

REMUNERATION OF DIRECTORS

In accordance with a policy adopted by the Board of Directors, directors (who are not also officers of the Corporation or of any subsidiary) receive an annual retainer and are compensated for each meeting attended. Each director receives an annual retainer of \$20,000 and each such director receives a meeting fee of \$1,000 for each meeting attended.

The members of the Audit, Compensation and Stock Option, Executive, and Pension and Welfare Plans Oversight Committees do not receive an annual retainer fee. However, the Chairmen of the Audit, Compensation and Stock Option, and Pension and Welfare Plans Oversight Committees receive an additional retainer of \$3,000 per year. Each member of a Committee receives a fee of \$1,000 for each Committee meeting attended.

As indicated, directors of UAL who are officers of UAL or of any subsidiary, do not receive the annual retainer fee or a meeting fee for their service on the Board of Directors or any committee.

UAL has a Plan for Deferred Payment of Directors' Fees under which directors may elect in advance to defer payment of fees to future periods.

Each active and retired director of UAL is entitled to free transportation on United and free lodging and discounted food and beverage service at Westin Hotels for himself or herself, spouse and dependent children. Effective January 1, 1986, the Board approved a plan to reimburse directors for additional income taxes resulting from the taxation of these benefits. No payments under this plan will be made until January, 1987.

Certain Relationships and Related Transactions

The Corporation and its subsidiaries during 1985 fiscal year had agreements or entered into agreements in the ordinary course of business with companies with which some of the Corporation's directors are associated in their principal occupations as follows: Credit agreements and loans extended by Seattle-First National Bank of approximately \$161,496,000 (Richard P. Cooley is Chairman and Chief Executive Officer), and Manufacturers Hanover Trust Company of approximately \$63,087,000 (John F. McGillicuddy is Chairman and Chief Executive Officer). The terms and interest rates were similar to those prevailing at the time for comparable transactions by other persons and which banks charge their customers who have credit ratings comparable to that of the Corporation and its subsidiaries.

APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors, at the recommendation of the Audit Committee, has appointed, subject to approval by the shareholders, the firm of Arthur Andersen & Co., as independent public accountants, to examine the financial statements of UAL for the year 1986.

Arthur Andersen & Co. has acted in this capacity for UAL since its incorporation and for United and its predecessor corporation for many years. That firm has advised UAL that neither it nor any partner thereof has any financial interest, direct or indirect, in UAL or any affiliate thereof. It is anticipated that a representative of Arthur Andersen & Co. will be present at the meeting and will have the opportunity to make a statement, if he desires to do so, and will be available to respond to appropriate questions at that time.

If the shareholders do not approve the appointment of Arthur Andersen & Co., the selection of independent public accountants will be reconsidered by the Board of Directors.

The Board of Directors recommends a vote FOR the approval of the appointment of Arthur Andersen & Co. as independent public accountants for UAL, Inc. for 1986.

APPROVAL OF AN AMENDMENT TO THE 1981 INCENTIVE STOCK PROGRAM

On October 31, 1985, the UAL Board of Directors unanimously recommended that the shareholders approve an amendment to the 1981 Incentive Stock Program (the "Program") to add 2,000,000 shares of the Company's Common Stock to the maximum number of shares with respect to which grants may be made under the Program.

Following is a summary of certain provisions of the Program.

Administration. The Program is administered by the UAL Compensation and Stock Option Committee (the "Committee") consisting of at least three members of the Board of Directors selected from among members of the Board who are not eligible, and have not for one year prior to such date of selection been eligible, to participate under any of UAL's option or similar plans.

Shares Subject to Program. Subject to adjustment provisions, the Program will cover a maximum of 3,300,000 shares of Common Stock. Stock issuable under the Program may be newly issued or treasury shares. The Committee may at any time and from time to time, in its sole discretion, allocate any or all of such shares of Common Stock for issuance pursuant to grants of incentive stock options ("ISOs") under Section 422A of the Internal Revenue Code of 1954, as amended (the "Code"), stock options not intended to qualify under Section 422A of the Code ("NQSOs"), and stock appreciation rights ("SARs"). No SARs have been issued under the Program.

Participation. Options and SARs are granted by the Committee only to officers and key employees (including officers who may also be directors) of UAL or any of its subsidiaries. There is no specific limitation on the number of shares of Common Stock that may be optioned to any individual (or made subject to an SAR) under the Program. The Program provides that the aggregate exercise price of ISOs granted to an individual in any calendar year shall not exceed \$100,000 plus any unused limit carryover to that calendar year.

Stock Options. The option price for ISOs and NQSOs is 100% of the fair market value of the Common Stock on the date of grant.

Stock Appreciation Rights. SARs may be granted to any participant in the Program independent of or in tandem with an NQSO. On exercise of an SAR, the holder will receive up to 100% of the appreciation in fair market value of the shares subject to the SAR. In the case of a tandem SAR, the appreciation shall be measured from the option price. At its discretion, the Committee may satisfy an exercised SAR through payment of cash, or Common Stock, or through a combination of cash and Common Stock. As noted above, no SARs have been issued to date.

Nontransferability and Adjustments. Benefits granted under the Program are nontransferable other than by will or the laws of descent and distribution.

Amendment and Termination of Program. The Board of Directors may amend the Program from time to time or terminate the Program at any time, but may not reduce the then existing amount of any participant's options or SARs or adversely change the terms and conditions thereof without the participant's consent. No amendment may, without stockholder approval, (i) materially increase the benefits accruing to participants, (ii) materially increase the number of shares which may be issued, or (iii) materially modify the requirements as to eligibility for participation in the Program.

Tax Consequences. UAL has been advised by counsel that the Federal income tax consequences to UAL and the participants in the Program under the now applicable provisions of the Code and the regulations thereunder are substantially as follows.

With respect to NQSOs and SARs, an optionee is not deemed to receive any income at any time an NQSO or SAR is granted nor is UAL entitled to a deduction at that time. However, when any part of the NQSO or SAR is exercised the optionee is deemed to have received ordinary income (i) in the case of an NQSO in an amount equal to the difference between the option price and the fair market value of the shares, and (ii) in the case of an SAR, in an amount equal to the sum of the fair market value of the shares and any cash received. UAL is entitled to a tax deduction in an amount equal to the amount of ordinary income realized by the optionee.

With respect to ISOs, an optionee is not deemed to receive any income at the time an ISO is granted or exercised. If an optionee does not dispose of the shares before the later of two years after the grant of the ISO and one year after the exercise of the ISO, any gain on a subsequent sale will be long-term capital gain. If the optionee disposes of the stock within the time periods described above, the optionee normally will have income in the year of disposition equal to the excess of the amount received for the shares over the option price. Of that income, the portion equal to the excess of the fair market value of the shares at the time the ISO was exercised over the option price will be ordinary income to the optionee and deductible to UAL. UAL is not entitled to a deduction as the result of the grant or exercise of an ISO.

Accounting Consequences. Under currently applied accounting principles, there is no charge to the income of UAL for financial reporting purposes in connection with the grant or exercise of an ISO or NQSO. The grant of an SAR requires charges to the income of UAL for financial reporting purposes from the date of grant over the period of exercisability of the SAR, based on the amount of appreciation (if any) over this period. The amount of appreciation is measured by the excess of the fair market value of the Common Stock subject to the SAR over the option exercise price in the case of a tandem SAR or fair market value on date of grant in the case of an individual SAR.

The Program was adopted by the Company's shareholders at their annual meeting on April 29, 1982. The Program specified that the total number of shares that were to be issued under its provisions would not exceed 1,300,000, subject to adjustment for events such as stock splits. As of February 24, 1986, there are only 48,159 shares remaining available for grants under the Program. The Program is expected to continue

for the remainder of its maximum life of ten years and additional shares will be needed to provide for the future grants which reasonably can be anticipated, especially in view of continuing growth of the Company.

The Board of Directors believes that an adequate availability of shares of the Company's Common Stock for grant under the Plan will continue to promote the best interests of the Company and its shareholders by providing effective incentives to attract, retain and motivate outstanding management. The additional shares constitute approximately 5% of the outstanding stock of the Company.

The Board of Directors recommends a vote FOR the approval of the amendment to the 1981 Incentive Stock Program

SHAREHOLDER PROPOSAL

Mrs. Evelyn Y. Davis, 1127 Connecticut Avenue, N.W., Washington, D.C. 20036, record holder of 50 shares of Common Stock of the Corporation, has given notice that she will introduce the following resolution at the meeting:

"RESOLVED: That the stockholders of UAL, Inc. assembled in annual meeting in person and by proxy hereby request the Board of Directors to have the Company furnish the stockholders each year with a list of people employed by the Corporation with the rank of Vice President or above, or as a consultant, or as a lobbyist, or as legal counsel or investment banker or director, who, in the previous five years have served in any governmental capacity, whether Federal, City or State, or as a staff member of any CONGRESSIONAL COMMITTEE or regulatory agency, and to disclose to the stockholders whether such person was engaged in any matter which had a direct bearing on the business of the Corporation and/or its subsidiaries, provided that information directly affecting the competitive position of the Corporation may be omitted."

"REASONS: Full disclosure on these matters is essential at UAL because of its many dealings with Federal and State agencies, and because of pending issues forthcoming in Congress and/or State and Regulatory Agencies."

"If you AGREE, please mark your proxy FOR this resolution."

The Board of Directors recommends a vote AGAINST the above proposal.

The directors and officers of UAL, and other professionals retained as consultants, lobbyists, legal counsel or investment bankers, are hired and retained for their demonstrated abilities, competence and integrity. No former government employee is hired or retained for a perceived ability to influence the relationship of UAL, or its subsidiaries, with government agencies.

There are laws which restrict the activities of former government employees and laws and regulations which address improper use of influence. UAL and its subsidiaries have a Conflict of Interest policy and conduct an annual survey of its officers and key employees to determine if any conflict or improper relationship exists.

The Board of Directors believe that the compilation of data requested by this proposal would be burdensome, and a waste of corporate resources and not in the best interests of the shareholders.

SHAREHOLDER PROPOSAL

Ms. Luvonne Stewart Stanton, 103 Paseo Laura, Los Gatos, California 95030, record holder of 244 shares of Common Stock of the Corporation, has given notice that she will introduce the following resolution at the meeting:

"RESOLVED: That the stockholders of UAL, Inc. request the Board to prepare and publish to stockholders, no later than the date of the third quarterly report for 1986, a report describing in detail the nature, cost, impact on future operations and the financial results thereof, and claimed benefit to shareholders of all actions taken by management during 1985, having, or believed by management to have, the effect, in whole or in part, of avoiding or making more difficult potential takeover attempts, including, without limitation, the following actions:

1. The increase in authorized common shares as recommended by management.
2. The Pan American Western Division purchase.
3. The Hertz purchase.
4. The agreement with Merrill Lynch Capital Markets to form limited partnerships in Westin Hotel units.
5. Recapture of claimed 'excess' assets from employee pension funds."

In support of the foregoing resolution, the proponent states:

"In management's third quarter 1985 report, as well as, in the presentation by Mr. Ferris to the New York Society of Security Analysts on November 21, 1985, UAL, Inc. management has stated that it took various actions in 1985 to avoid takeover attempts, including the actions enumerated in the proposal. In order for stockholders to assess whether or not the cost of these measures is justified by the potential benefits to shareholders, a detailed report on these transactions is essential.

"Some transportation analysts have expressed the opinion that the \$750 million purchase price for Pan American's Western Division exceeded the value of the physical assets acquired by \$350 million and UAL has stated that the purchase price for Hertz was approximately \$146 million in excess of its book value. UAL shareholders should consider whether these premiums are justified by the benefits which the acquisitions can reasonably be expected to generate and, if not, whether any impediment which the transactions may present for possible takeover attempts is in their interests.

"A recent report entitled 'The Impact of Anti-takeover Charter Amendments on Contests for Corporate Control' published by the Investors Responsibility Research Center concludes that such amendments and management resistance to takeovers are contrary to the interests of shareholders and result in enrichment of management at shareholder expense. The report also suggests that the ratio between the market price of a corporation's stock to its book value may be considered as reflecting the market's judgment of management's ability to enhance the asset values. Based on samplings of target firms with and without anti-takeover provisions, the report concludes that the average market price: book value of takeover targets with anti-takeover provisions is 1:1, a ratio substantially lower than targets without such provisions and one which suggests that the management of target firms with such provisions are perceived as adding little value to those corporations.

"UAL, Inc. has a market price: book value ratio of approximately 1:1 or slightly less. Accordingly, UAL shareholders should consider whether the recent emphasis by management on erecting obstacles to takeovers may be intended primarily to further management's own interests at shareholder expense."

The Board of Directors recommends a vote AGAINST the above proposal for the following reasons:

This proposal asks for reports on actions taken or proposals made by UAL, United and Westin which have all been reported to the Corporation's shareholders and to the public.

The need for the authorization of additional Common Stock was fully explained in the 1985 Proxy Statement. The authorization was approved by 93.4% of the Corporation's shareholders voting in person or by proxy at last year's Annual Meeting on April 25, 1985.

The acquisition of certain assets of Pan American Airways' Pacific Division (these assets were purchased for \$715.5 million, not for \$750 million) and the purchase of Hertz represented good business opportunities which the Corporation plans to develop for the benefit of its shareholders and employees. Opinions of these acquisitions based on comparisons of purchase prices to book values of physical assets acquired misses the point. UAL did not make acquisitions for the physical assets alone. UAL was interested in developing the business synergies between United's domestic route structure and Pan American's operating rights in the Pacific in the one case, and in developing the synergies among Westin, United and Hertz, the premier car rental and leasing firm, in the travel market in the other case.

Two of the proposed actions—the agreement with Merrill Lynch to form limited partnerships to market Westin hotel units, and United's proposed recapture of excess pension assets—were proposed in order that the Corporation and its subsidiaries could make use of the cash to be obtained. These two proposed actions, when and if implemented, are also expected to boost the value of the Corporation's stock, thereby making a "cheap" takeover of UAL more difficult.

The Corporation believes that no useful purpose would be served by submitting more details on these actions than those already provided to its shareholders and to the investing public.

SUBMISSION OF SHAREHOLDER PROPOSALS

Any shareholder who wishes to present a proposal for consideration at the Annual Meeting of Shareholders to be held in 1987 must submit such proposal in accordance with rules promulgated by the Securities and Exchange Commission. In order for a proposal to be presented at the 1987 Annual Meeting, the shareholder must notify UAL, Inc. of his or her intention to do so and submit, in writing, such proposal to UAL, Inc., to be received by it no later than December 2, 1986 in order for the proposal to be included in the proxy statement and the form of proxy relating to the 1987 Annual Meeting. Such notice and the form of the proposal should be addressed to the Secretary of the Corporation, UAL, Inc., P.O. Box 66919, Chicago, Illinois 60666.

GENERAL

A copy of UAL's Annual Report for the year ended December 31, 1985 has been mailed, under separate cover, to each shareholder. Additional copies of the Annual Report and of the Notice of Annual Meeting and Proxy Statement and accompanying proxy may be obtained from Georgeson & Company, Inc., Wall Street Plaza, New York, New York 10005, or from the Executive Offices of UAL.

UAL has retained Georgeson & Company, Inc., Wall Street Plaza, New York, New York 10005, to assist in the solicitation of proxies, primarily from brokers, banks and other nominees, for an estimated fee of \$5,500. UAL will, upon request, reimburse brokers, banks and other nominees for costs incurred by them in forwarding proxy material and the Annual Report to beneficial owners of stock of UAL. In addition, directors, officers and regular employees of UAL and its subsidiaries, at no additional compensation, may solicit proxies by telephone, telegram or in person. All expenses in connection with soliciting management proxies for the Annual Meeting of Shareholders, including the cost of preparing, assembling and mailing the Notice of Annual Meeting and Proxy Statement and accompanying proxy, are to be paid by UAL.

In connection with matters incident to the conduct of the meeting and in connection with business, other than as stated in the notice of the meeting, that shall properly come before the meeting and of which the persons on whose behalf this proxy solicitation is made are not now aware, it is intended that votes will be cast pursuant to the authority granted by the enclosed proxy in accordance with the best judgment of a majority of the persons present and acting under the proxy.

In order to assure the presence of the necessary quorum at the Annual Meeting, please sign and mail the enclosed proxy promptly in the envelope provided. No postage is required if mailed within the United States. The signing of a proxy will not prevent your attending the meeting and voting in person, should you so desire.

If you expect to attend the meeting, please mark the proxy card in the space provided so that we may send you an admission card.

By order of the Board of Directors,

JOSEPH T. KANE
*Vice President
and Secretary*

March 31, 1986

YOUR VOTE IS IMPORTANT

Please mark, date and sign the accompanying proxy card and return it in the envelope provided as promptly as possible so that you will be represented at the meeting whether or not you expect to attend. If you plan to be present at the meeting, please mark the proxy card in the space provided and we will send you an admission card.