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ARIZONA CORPORATION COMMISSION

1843 (A)(1)
JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
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October 8, 1992

Bradford J. May, Esq.
O'Melveny & Myers
400 South Hope Street
Los Angeles, CA 90071-2899

RE: Regional Airports Improvement Corporation; % Facilities
Lease Refunding Revenue Bonds, Issue of 1992, United Air
Lines, Inc. (Los Angeles International Airport)
No-Action Request

Dear Mr. May:

On the basis of the facts set forth in your letter of September 25, 1992 and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letter. The Division considers the Guaranty to be an integral part of the Bonds, which are not separable from the Bonds and have no value apart from the Bonds.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

Please be aware that dealer registration is required for securities exempt under A.R.S. §44-1843(A)(1), as set forth in the provisions of A.A.C. R14-4-104(A)(5).

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

DEE RIDDELL HARRIS
Director of Securities

DRH:lb

Attachment

O'MELVENY & MYERS

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WRITER'S DIRECT DIAL NUMBER

(213) 669-6151

OUR FILE NUMBER

701,746-072
228712.V1

Ms. Sandra Forbes
Arizona Corporation Commission
Securities Division
1200 West Washington Street
Suite 201
Phoenix, Arizona 85007

Re: Regional Airports Improvement Corporation; $\frac{1}{2}$
Facilities Lease Refunding Revenue Bonds, Issue of
1992, United Air Lines, Inc. (Los Angeles
International Airport)

Dear Ms. Forbes:

On behalf of Lehman Brothers (the "Underwriter"), we hereby request exemption from the registration requirements of Section 44.1841 of the Arizona Revised Statutes, as amended (the "Act"); with respect to the offer and sale of approximately \$33,785,000 aggregate principal amount of Facilities Lease Refunding Revenue Bonds Issue of 1992 United Air Lines, Inc. (Los Angeles International Airport) (the "1992 Bonds") of the Regional Airports Improvement Corporation ("RAIC").

We believe that the 1992 Bonds are exempt from registration pursuant to Section 44.1843(A)(1) of the Act as they are securities issued by an instrumentality of The City of Los Angeles (the "City").

In addition, we believe that the guaranty (the "Guaranty") by UAL Corporation ("UAL") and its subsidiary, United Air Lines, Inc. ("United"), jointly and severally unconditionally guaranteeing the payment to First Trust of California, N.A., a national banking association, as trustee (the "Trustee"), of all amounts required for the full and prompt payment of the principal of, premium, if any, and interest on the 1992 Bonds also is exempt under Section 44.1843(A)(1) of the Act because the Guaranty is an integral and inseparable part of the underlying

exempt 1992 Bonds that cannot be separately traded, transferred or assigned and has no value apart from the 1992 Bonds.

In the alternative, we believe that the Guaranty is exempt under Section 44.1843(A)(7) of the Act because the Guaranty is a security of UAL that is of senior or substantially equal rank to UAL's common stock, which is currently listed on the New York Stock Exchange.

RAIC

RAIC, which is not authorized to issued capital stock, was organized on June 17, 1969 as a nonprofit public benefit corporation under the nonprofit corporation law of the State of California for the sole purpose of assisting the City by financing and otherwise acquiring, constructing, reconstructing, replacing, extending, enlarging or improving airports, heliports and the facilities thereof. The sole members are the five directors from time to time in office, who also act as RAIC's officers. RAIC's articles of incorporation provide that RAIC is not organized for profit and that no part of the net earnings, if any, of RAIC will inure to the benefit of any private shareholder or individual other than the City.

The Los Angeles Department of Airports has the right to disapprove the election, reelection or appointment of any director of RAIC. Moreover, each separate financing conducted by RAIC requires the approval of the Los Angeles Department of Airports and the City. Finally, all facilities owned by RAIC are subject to a reversionary interest held by the City. The City has the right to purchase all the facilities owned by RAIC at any time. It may do so by purchasing all the bonds then outstanding that were used to finance the construction of the facilities.

The 1992 Bonds

The 1992 Bonds will be issued under a Supplemental and Restated Indenture of Mortgage and Deed of Trust, dated as of October 1, 1984, as amended and supplemented, including a Third Supplemental Indenture, dated as of October 1, 1992 (as so restated, amended and supplemented, the "Indenture"), by and between RAIC and the Trustee.

The 1992 Bonds will be limited obligations of RAIC, payable (except to the extent payable from proceeds of the sale of the 1992 Bonds or from income on the temporary investment thereof) solely from the rentals and other amounts to be received by RAIC under a Facilities Sublease, dated as of November 15, 1982, as amended (the "Facilities Sublease"), between RAIC and

United (except payments made in respect of certain expenses and indemnification) and certain other available moneys specified in the Indenture. The 1992 Bonds are not obligations of the City, the State of California, or any political subdivision thereof.

It is contemplated that the interest on the 1992 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any 1992 Bond for any period during which such Bond is (i) held by a person who is a "substantial user," within the meaning of Section 147(a)(1) of the Code, of the facilities financed with the proceeds of the 1992 Bonds or (ii) held by any "related person" of a substantial user within the meaning of Section 147(a)(2) of the Code.

The proceeds received by RAIC from the sale of the 1992 Bonds will be used to immediately refund RAIC's currently outstanding \$30,750,000 aggregate principal amount of Facilities Lease Revenue Bonds, Issue of 1982, Series A United Air Lines, Inc. (Los Angeles International Airport) (the "Series A Bonds"), previously issued to finance a portion of existing facilities, including a portion of a two-story terminal building and Satellites 7 and 8 at Los Angeles International Airport (the "Airport"), and the construction of a portion of certain new and expanded passenger terminal facilities (the "Facilities").

The Facilities are owned by RAIC subject to the reversionary interest of the City in such Facilities. United conveyed its interest in the Facilities to RAIC and assigned certain of its rights to RAIC, whereupon RAIC entered into the Facilities Sublease with United under which United, as lessee, has agreed to pay as rental directly to the Trustee an amount sufficient to pay principal of, premium, if any, and interest on the 1992 Bonds and any other parity bonds previously issued under the Indenture to finance a portion of the Facilities.

Under the Facilities Sublease, United will be obligated to pay as rentals amounts sufficient to pay when due the principal of, premium, if any, and interest on the 1992 Bonds and the parity bonds. United's obligation to pay those rentals is unconditional and is not diminished or abated by any circumstance or occurrence (including, without limitation, destruction or condemnation of the Facilities). In addition, United will be obligated to pay expenses of RAIC incurred pursuant to the Indenture, including the fees and expenses of the Trustee.

Section 44.1843(A)(1) of the Act exempts from registration:

Securities issued or guaranteed by the United States, any state, territory or insular possession thereof, or by any political subdivision of such state, territory or insular possession, or by the District of Columbia, or any agency or instrumentality of one or more of the foregoing . . .

Because the 1992 Bonds are issued by RAIC, a nonprofit public benefit corporation, organized for the purpose of assisting the City and because the nexus between the City and RAIC is such that RAIC constitutes a corporate or other instrumentality of the City, we believe that the 1992 Bonds are exempt from registration under Section 44.1843(A)(1) of the Act.

The Guaranty

Under the Guaranty, UAL and United will jointly and severally unconditionally guarantee to pay to the Trustee all amounts required for the full and prompt payment of the principal of, premium, if any, and interest on the Bonds when and as due and payable.

We believe that, as an integral and inseparable feature of the underlying exempt 1992 Bonds, the Guaranty is also exempt under Section 44.1843(A)(1) of the Act. The Guaranty is not transferable, assignable or tradeable separately from the 1992 Bonds. Because payment of consideration in excess of the 1992 Bonds' price is not required to receive the Guaranty, it represents no value to investors apart from the 1992 Bonds but, rather, serves simply as a supplementary source of revenues for payment on the 1992 Bonds under certain circumstances. Under these facts, the Guaranty should not be considered a security separate from the 1992 Bonds and, therefore, should fall within the ambit of the exemption applying to the 1992 Bonds and not have to qualify for a separate exemption.

We are aware that Section 44.1801(22) of the Act defines "Security" to include a guaranty of a security. We do not believe, however, that, in the circumstances and as an integral feature of the 1992 Bonds themselves, the Guaranty is required by the Act to be treated as a separate security requiring its own exemption. Indeed, such treatment may serve as a disincentive to issuers of otherwise exempt securities to include a guaranty (or other credit enhancement device) as a feature to the offering because, despite providing additional security to investors, its inclusion ultimately would require registration of the otherwise exempt offering.

For the above reasons, we request that you confirm our view that the Guaranty is exempt from registration along with the 1992 Bonds pursuant to Section 44.1843(A)(1) of the Act.

In the alternative, we ask for your ruling that the Guaranty is a security of senior or substantially equal rank to UAL's common stock, which is currently listed on the New York Stock Exchange. The Guaranty, therefore, would be exempt from registration pursuant to Section 44.1843(A)(7) of the Act.

UAL and United are jointly and severally unconditionally guaranteeing repayment of the 1992 Bonds. Because the Guaranty is joint and several in nature, it follows that the Guaranty should be exempt from registration if an independent guaranty of either of the two entities would be exempt. The addition of another guarantor to a joint and several guaranty can only serve to enhance the value of the guaranty, not to undermine it.

UAL has common stock listed on the New York Stock Exchange. Any guaranty that it makes on the 1992 Bonds will be considered an obligation senior to its obligations regarding its common stock.

Accordingly, we request you confirm our view that the Guaranty is exempt from registration pursuant to Section 44.1843(A)(7) of the Act.

Conclusion

For the reasons set forth herein, we respectfully request your ruling that, as to both the 1992 Bonds and the Guaranty, an exemption from registration exists under Section 44.1843(A)(1) and/or Section 44.1843(A)(7) of the Act with respect to the offer and sale of the 1992 Bonds.

A copy of the Preliminary Official Statement is enclosed for your reference. A copy of the final Official Statement will be sent to your office as soon as it is available. A check in the amount of \$200 is enclosed in payment of the appropriate fee.

Page 6 - Ms. Sandra Forbes - September 25, 1992

As it is currently contemplated that this financing will close on or about October 13, 1992, we would appreciate your reply to this request at your earliest convenience. If you have questions or require further information, please call me, Bradford J. May, collect at (213) 669-6000. Thank you for your time and consideration of this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bradford J. May".

Bradford J. May

Enclosure