

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

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| In re: |) | Chapter 11 |
| |) | |
| UAL CORPORATION et al., |) | Case No. 02-B-48191 |
| |) | (Jointly Administered) |
| Debtors. |) | |
| |) | Honorable Eugene R. Wedoff |

DEBTORS' DECEMBER 2005 REPORT ON STATUS OF REORGANIZATION

Over the last month, United has continued to progress toward confirmation of its proposed plan of reorganization. United has had numerous meetings with key constituents, particularly the Creditors' Committee, to build consensus on various plan confirmation issues. Through this open and ongoing dialogue, United has resolved a number of creditor concerns and remains on pace with its current exit schedule.

Of significant note, on Monday, December 12, the plan objection deadline passed. United received approximately 55 objections to the plan (approximately 20 of which were submitted by *pro se* parties). Many of the objections were limited in nature, only requesting clarifications of plan provisions or seeking reservations certain legal rights. United is committed to continuing to work with all parties to resolve as many of these objections as possible before the plan confirmation hearing begins on January 18, 2006.

A pre-trial conference on plan confirmation is scheduled for the December 16 omnibus hearing. At that time, United will propose a framework to resolve any factual issues raised in plan objections within the current exit schedule. In the interim, United already has been responding on a rolling basis to discovery requests propounded by various parties.

On December 19, the plan voting deadline will pass. During the six-week balloting period, United has worked closely with its solicitation agent to ensure what has been a smooth voting process.

Over the past month, United also has continued to refine the mechanics for making distributions under the plan, once confirmed, and to resolve unsecured claims against the estate to maximize distributions to unsecured creditors as soon as possible after emergence. To this end, United has reduced the claims register by almost \$300 million by negotiating agreements with numerous owner participants to cap their aircraft tax indemnity claims. Additionally, United submitted an order earlier this week to reduce the \$1.3 billion claim asserted by Atlantic Coast Airlines to \$500 million based on the Court's ruling in that contested matter. United also sought court approval of its settlement agreement with Pratt & Whitney, United's largest supplier of turbine engines and associated parts, to resolve more than \$12.2 million in unsecured and administrative claims asserted by Pratt & Whitney against United's estate.

In other restructuring activity, United obtained a supplemental commitment from General Electric Capital Corporation ("GECC") to underwrite \$500 million of United's existing \$3 billion exit facility. GECC's commitment is a strong endorsement from the capital markets of United's business plan. A motion seeking approval of United's indemnification of GECC is scheduled to be heard during the December 16 omnibus hearing, and no objections have been filed.

In litigation pending outside the Bankruptcy Court, AMFA appealed, to the Fourth Circuit, the District Court for the Eastern District of Virginia's ruling that the effective termination date of the Ground Plan would be March 11, 2005. The Fourth Circuit docketed this appeal on December 12 (Case No. 05-2375). Additionally, AFA's ERISA § 4003 declaratory

action against PBGC remains pending before Judge Huvelle in the District Court for the District of Columbia; AFA's and PBGC's cross-motions for summary judgment have been fully briefed in that matter.

In the District Court for the Northern District of Illinois, several appeals remain litigated. First, ALPA's, URPBPA's, PBGC's respective appeals of the involuntary termination of the Pilot Plan have been assigned to District Court Judge Darrah (Case No. 05-C-6955).¹ A status hearing in the Pilot Plan termination appeal is currently set for January 19, 2006. Second, PBGC and United are separately briefing in the District Court the appeal of this Court's ruling on the priority of minimum funding contribution claims. Third, United submitted its final brief in its appeal of this Court's ruling compelling the October payment of retired pilots' non-qualified benefits on Tuesday, December 13. Judge Darrah has set a status hearing in the non-qualified benefits appeal for January 12, 2006.

In Seventh Circuit appellate activity, United, URPBPA, and ALPA have completed briefing of URPBPA's interlocutory appeal of the January 2005 ALPA restructuring agreement, and the Seventh Circuit has set oral argument for January 10, 2006. The Denver and Los Angeles municipal bond recharacterization litigation also remains pending in the Seventh Circuit with oral argument yet to be set.

Finally, on November 30, 2005, the Supreme Court docketed HSBC and the CSCDA's petition for a writ of certiorari in the San Francisco recharacterization litigation.

¹ In its cross-appeal, PBGC does not seek reversal of this Court's termination of the Pilot Plan; rather, PBGC seeks reversal of certain issues ruled on by this Court in the termination litigation.

Operational Update

On November 23, 2005, United announced in its October Monthly Operating Report that it posted an operating loss of \$71 million for the month. The company posted an operating loss of \$65 million for the same period last year, despite a \$169 million increase in fuel expenses year-over-year. For October 2005, the company reported a net loss of \$698 million, including \$584 million of largely non-cash reorganization expenses driven by charges related to the termination of the pilot defined benefit pension plan. Excluding reorganization expenses, the company reported a net loss of \$114 million.

Mainline unit costs (CASM) in October increased eight percent over the same month last year, driven by five percent lower capacity and higher fuel expense. Excluding fuel, mainline unit costs in October decreased four percent year-over-year despite the capacity decrease. Mainline passenger unit revenue (PRASM) in October increased nine percent over the same period a year ago.

United ended October with a cash balance of \$2.7 billion, which included \$964 million in restricted cash (filing entities only). Cash balance during the month increased by \$31 million. United met the requirements of its DIP financing for the month of October.

In its November 2005 traffic report released December 5, 2005, United reported its highest-ever November passenger load factor of 79.9 percent. Total scheduled revenue passenger miles (RPMs) increased in November by 1.9 percent on a capacity decrease of 2.9 percent in scheduled available seat miles (ASMs) compared to the same period in 2004.

According to the U.S. Department of Transportation Air Travel Consumer Report for October 2005 issued on December 1, United ranked first among the seven major network carriers in on-time arrivals :14 for the month, with 83 percent of flights arriving within fourteen minutes

of schedule. United also placed first among this group with the lowest mishandled baggage rate for the fourth consecutive month, and had the fewest flight cancellations.

On December 1, United implemented its same-day flight change policy which is expected to generate millions of dollars in annual incremental revenue, by charging customers who hold a discounted domestic ticket in United economy class \$25 to secure a reservation on a different flight, departing that same day.

On December 1, 2005, United announced new routes and increased service to 10 domestic U.S. and nine international destinations from its Dulles hub. On November 22, 2005, the company announced new United Express service between San Antonio, Texas, and seven cities.

Conclusion

With the plan confirmation hearing approaching, United will continue to work with its stakeholders to resolve outstanding plan issues on a consensual basis to ensure a smooth process up through and post confirmation.

Dated: December 15, 2005
Chicago, Illinois

UAL CORPORATION, et al.

/s/ James J. Mazza, Jr.

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