

Judge approves UAL reorganization plan

United to end 3-year tenure in bankruptcy on Feb. 1; plan slashes work force by 25 percent.

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CHICAGO (Reuters) – A judge approved a reorganization plan for United Airlines on Friday, enabling the carrier to end a three-year tenure in bankruptcy on Feb. 1.

Judge Eugene Wedoff, as expected, signed off on UAL Corp.'s business plan, which features a controversial equity compensation package for managers of the No. 2 U.S. airline.

"If there's not a feeling of exaltation in this room perhaps there can be a feeling of relief," Wedoff said just before approving the plan.

United has slashed its work force by 25 percent and cut costs -- including employee wages and pensions -- by \$7 billion to be competitive with low-cost carriers and restructured rivals.

American Airlines (Research) restructured financially outside of bankruptcy court while US Airways (Research) went through two rounds of Chapter 11 before merging with America West Airlines last fall. Northwest Airlines and Delta Air Lines are currently in bankruptcy.

Confirmation of United's plan in the United States Bankruptcy Court for the Northern District of Illinois marks the beginning of a 10-day appeals period. It followed a hearing on Wednesday during which United resolved a series of objections from various creditors and labor groups.

Most notably, the airline received Wedoff's blessing for a proposal to grant an estimated \$115 million in equity to certain management personnel.

The plan that awards 8 percent of UAL's shares angered work groups that believe the compensation is extravagant given the two rounds of wage and benefit cuts taken by workers over the past three years.

UAL officials have said that linking management compensation to the airline's stock performance ensures competent leadership by a management team that will not be tempted to look for higher-paying work elsewhere.