

## **United creditors will get final say on end of bankruptcy**

By CHRIS WALSH

Scripps Howard News Service

United Airlines has overhauled its business, scaled back on domestic flights, and swung the cost-cutting ax numerous times during the past three years as it has looked to climb out of bankruptcy.

Now, its immediate future lies in the hands of tens of thousands of creditors, from banks and government agencies to small businesses and giant corporations.

United has mailed voting packets to more than 90,000 creditors as it seeks approval of its plan to emerge from Chapter 11 in February.

The nation's second-largest airline needs approval from more than half of the creditors that vote, and those that back the plan must represent two-thirds of the amount of claims against United.

Some claims have been settled, but up to \$30 billion worth of unsecured claims remain on the books.

Under United's plan, unsecured creditors – those without payment assurances – would receive 4 cents to 8 cents for every dollar they are owed, in the form of common stock in the reorganized company.

Secured creditors would receive full payment.

Stockholders will get completely wiped out and will not be able to vote on the plan.

Some unsecured creditors initially struggled when United did not pay its bills. Others wrote off the debt long ago and now say they do not even intend to vote.

"They're offering me 5 cents on the dollar. That's not even worth thinking about," said David Littlefield of Accent Plumbing and Heating, which filed a claim for \$441.06. Under United's plan, he would get about \$22.

"I threw the [voting] packet away," he said.

Several unsecured creditors said they might reject the plan on principle.

"At this point I would not be in favor of getting 8 cents on the dollar, although I need to further research before I make a decision," said Rodney Jacobs, owner of Freewheelin' Films, which has an \$83,000 unsecured claim related to a

sponsorship agreement.

"I feel, as anybody would, that an injustice was done. We did the work; we paid the costs of doing the work. It will probably be my position that this is not sufficient."

The average unsecured creditor, though, likely will not be able to get any more money, experts said.

"If, in fact, unsecured creditors are getting what's left over after the senior creditors are paid in full, they can't say they're not getting paid enough because that's all that is left," said Douglas Baird, a University of Chicago law professor.

Creditors have until Dec. 19 to vote whether to accept or reject the plan, and they formally can raise objections until Dec. 12.

All creditors eligible to vote have received packets from United containing a ballot for accepting or rejecting the plan. They also received a CD-ROM containing the carrier's disclosure statement, which maps out the carrier's business strategy and financial projections, and a schedule of the process going forward.

If creditors reject the plan, the bankruptcy court could allow other parties to propose an alternative plan. It also could approve United's version if it thinks creditors are treated fairly, or it could force the carrier to modify its plan, experts said.

The move represents the last phase of United's three-year tenure in bankruptcy. During that time, United, a unit of Chicago-based UAL Corp., has cut more than \$7 billion in expenses and started a low-cost version of its airline, among other things.

It also has racked up nearly \$300 million in fees for outside help from attorneys, accountants and consultants as it restructures. Preparing and mailing 90,000 voting ballots and related information will bump up those costs.

"These mailings are huge, and they're also hugely expensive," said Thomas J. Salerno, a bankruptcy lawyer. "It would not surprise me if the costs to send out these ballots totaled in the millions of dollars."