



AIR TRANSPORTATION STABILIZATION BOARD
1120 VERMONT AVENUE, SUITE 970
WASHINGTON, DC 20005

Michael Kestenbaum
Executive Director

June 17, 2004

Mr. Frederic F. Brace
Executive Vice President
and Chief Financial Officer
United Air Lines, Inc.
1200 East Algonquin Road
Elk Grove Township, IL 60007

Dear Mr. Brace:

In accordance with the Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42, 115 Stat. 230 (the "Act") and the regulations promulgated thereunder, 14 CFR Part 1300 (the "Regulations"), the Air Transportation Stabilization Board (the "Board") has considered United's application, as supplemented, for a \$1.6 billion federal loan guarantee in support of a \$2 billion loan.

The Act was passed nearly three years ago in response to the terrorist attacks of September 11, 2001, and the Board was established to respond to the ensuing constraints on credit availability in the airline sector. Since that time the Board has approved seven loan guarantees, with the last approval over a year ago in April of 2003 for World Airways.

United's application for a loan guarantee was received on June 21, 2002. On December 4, 2002, the Board indicated to United by letter that it could not approve its then-current proposal, and the company subsequently filed for Chapter 11 bankruptcy protection. Over the following eighteen months, the company revised its proposal while working through the bankruptcy process.

During this period, the Board staff and the broader working group, consisting of representatives of the Board's voting members, have reviewed and considered all the materials submitted by United, as well as explanatory information presented by United at many meetings during 2003 and the first half of 2004. The Board's financial, industry, and legal consultants have submitted their reports and analyses, which have been taken into consideration. The Board staff prepared for the members a comprehensive analysis of all of these materials. The voting members discussed the application at length at meetings on April 20, May 24, and June 17, 2004.

The Board carefully considered the application under the standards set out under the Act and the Regulations. Based on its review, the Board determined that the application does not meet the applicable standards, and, accordingly, the Board voted to deny the application. Specifically, a majority of the Board determined that a guaranteed loan to United is not a necessary part of maintaining a safe, efficient, and viable commercial aviation system in the United States, a requirement of the Act. The Board notes the positive steps the company has taken since entering bankruptcy in 2002 to lower its costs, strengthen its competitive position, and improve its governance structure. Moreover, the Board believes that airline credit markets have been improving since late 2001 and 2002, the period during which the Board granted most of its approvals for loan guarantees, increasing the likelihood of United succeeding without a loan guarantee. Given these circumstances, a majority of the Board believes that the likelihood of United succeeding without a loan guarantee is sufficiently high so as to make a loan guarantee unnecessary. Finally, the Board considered proposals made by United in a series of meetings this week. A majority of the Board believes that these revisions do not change their view of the necessity of a federal loan guarantee.

Considering all of the foregoing factors, and all the other facts of record, Chairman Edward Gramlich and Under Secretary of Treasury for Domestic Finance Brian Roseboro voted to deny the application. Under Secretary of Transportation for Policy Jeffrey Shane voted to defer a decision for one week pending further Board discussions with United regarding its most recent proposals.

Sincerely,



Michael Kestenbaum

cc: Edward M. Gramlich
Brian C. Roseboro
Jeffrey N. Shane