

Securities class: United Airlines Inc., ISIN US9025495006 - settlement of pending transactions, custody type "AKV"

Clearstream Banking¹ would like to explain to its customers the procedure for settlement of pending transactions in the United Airlines Inc. securities class under ISIN US9025495006 (custody type "AKV"), and the options for settlement of pending transactions.

Background information

Last year, United Airlines Inc., Illinois/USA, (ISIN US9025495006) filed for protection under Chapter 11 of the US Bankruptcy Code at the competent bankruptcy court to enable reorganisation of the company. The restructuring plan which is customary in these proceedings and envisages the full loss participation of existing shareholders came into effect on 1 February 2006. Stock exchange trading of the old securities class was discontinued due to non-fulfilment of quotation requirements in the course of the Chapter 11 proceedings.

United Airlines Inc. (UAL) has been listed on NASDAQ in the USA (under ISIN US9025498075) since 2 February 2006 with a new securities class. An exchange of the old securities class for the new securities class has not taken place.

The UAL (old) securities class, ISIN US9025495006, is still deliverable between the counterparts via DTCC, the CSD in the United States. However, the counterparts are not able to meet their delivery obligations of the old securities class due to the liquidity squeeze in the local market. In such cases, the local US market uses pure cash regulation for pending transactions on the basis of letters of indemnity. These letters of indemnity evidence the right of the purchaser of the old securities to its beneficial holding at the time of the purchase of the no longer deliverable securities. This enables settlement of pending transactions on a pure cash basis, closing out the price to be paid by the purchaser against a cash indemnity payment by the seller. No securities delivery takes place.

The provision shortfall and the above-described procedure make it unlikely that delivery to German counterparts will be possible in the local US market through postings to the DTCC account of the depository, Citibank N.A., in favour of Clearstream Banking (cover holdings). However, adequate cover holdings in the local market are always a prerequisite for delivery of pending transactions in the German market via the Clearstream Banking system by means of book-entry credits within the trustee business ("WR").

Options for settlement of pending transactions

To solve the described problem, Clearstream Banking offers the following options, alternatively or in combination, for settlement of pending transactions in the open market (unofficial regulated market) involving old UAL shares:

1. Both counterparts cancel the concluded pending open market transactions by mutual agreement. Cash clearing is effected by arrangement between the counterparts.

¹ Clearstream Banking in this Announcement refers to Clearstream Banking AG, Frankfurt (CBF). CBF is a Deutsche Börse Group company

2. Both counterparts provide Clearstream Banking with written instructions to cancel their specified open market transactions. In this case, cash clearing is also effected by arrangement between the counterparts.
3. Both counterparts provide Clearstream Banking with written instructions to settle their pending transactions exclusively via their cash clearing accounts on the basis of a bilateral agreement which they have already concluded or will conclude. In this case, Clearstream Banking segregates the corresponding pending transactions. Securities settlement does not take place.

Upon request, Clearstream Banking will provide a spread sheet showing all affected open market transactions for each customer. Sample texts for the instructions to cancel transactions or for pure cash regulation are available from Clearstream Banking's Customer Service in Frankfurt.

Options 2 and 3 are only possible if both counterparts of Clearstream Banking have issued matching instructions. Settlement takes place on a weekly basis. We enclose a sample text for the customer instruction. If the customer chooses Option 2 or 3, the instruction must be faxed to:

+49-(0) 69-2 11-61 11 77

The cut-off date (acceptance deadline) for processing is Friday at 4.00 p.m. (CET). Processing generally takes place on the Wednesday of the following week.

Further information

For further information, please contact:

Customer Service Domestic

Phone: +49-(0) 69-2 11-1 11 77

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Settlement of stock exchange trades ("AKV" custody)
in the United Airlines securities class under ISIN US9025495006

We, the trade participants involved, _____ and _____, (name of the customer and the counterpart), hereby instruct Clearstream Banking Frankfurt to perform the following in connection with the enclosed transactions:

- .. Cancel the transaction(s) on the delivery list (LION). Cash settlement and the clarification of the legal situation, e.g. letter of indemnity, netting/offsetting agreement or similar, will be effected on the basis of a bilateral agreement between the participants involved.
- .. Adjust the delivery list (LION) so that cash clearing can be effected by Clearstream Banking. This is a non-regular settlement, i.e. Clearstream Banking Frankfurt will merely make its system available. The clarification of the legal situation, e.g. letter of indemnity, netting/offsetting agreement or similar, will be effected on the basis of a bilateral agreement between the participants involved. Securities settlement by Clearstream Banking will not take place.

Place, date

Legally binding signature of Bank A / name

Place, date

Legally binding signature of Bank B / name