

[21305001]



The buy-out group had no firm financing for the plan .

[21305014]

And , with no other offers on the table , the board apparently felt no pressure to act on it .

[21305015]

The directors signaled , however , that they would be willing to consider future offers or take some other action to maximize shareholder value . saying they would continue to explore " all strategic and financial alternatives . "

[21305016]

But it was clear that for the time being , the board wants the company to return to normalcy .

[21305017]

The board said it concluded that " the welfare of the company , its shareholders , its employees and the broader public ... can best be enhanced by continued development of UAL as a strong , viable , independent company . "

[21305018]

Mr. Wolf urged all employees to " now turn their full attention " to operating the airline .

[21305019]

He also vowed to " make every effort to nurture ... a constructive new relationship that has been forged with participating employee groups . "

[21305020]

But Mr. Wolf faces a monumental task in pulling the company back together again .

[21305021]

Labor problems top the list .

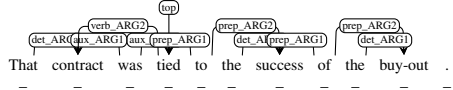
[21305022]

For a brief time , the buy-out effort seemed to solve his problems with United 's pilot union .

[21305023]

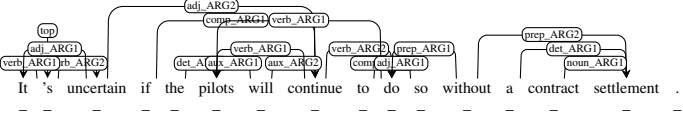
In return for an ownership stake in the company , the pilots were willing to agree to a seven-year contract that included a no-strike clause and significant wage concessions and productivity gains the union previously resisted .

[21305024]



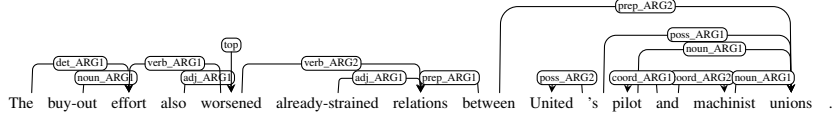
That contract was tied to the success of the buy-out .

[21305026]



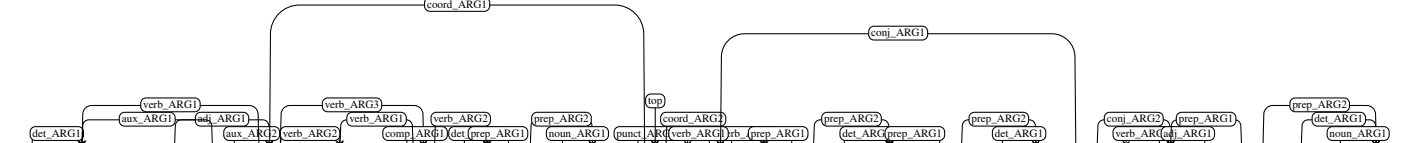
It's uncertain if the pilots will continue to do so without a contract settlement .

[21305028]



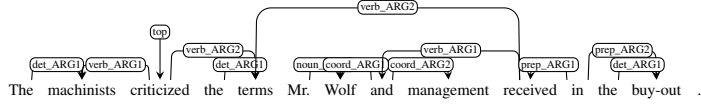
The buy-out effort also worsened already-strained relations between United's pilot and machinist unions .

[21305030]



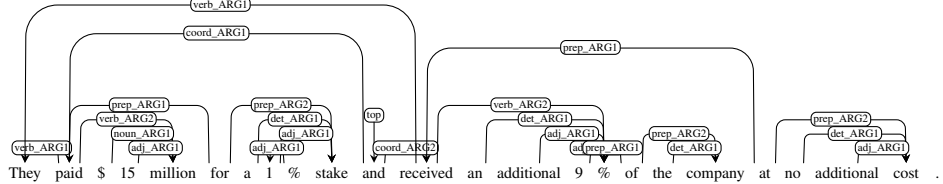
The machinists previously had shown themselves to be an ally to Mr. Wolf , but he lost much of his credibility with that group when he teamed up with the pilot union .

[21305031]



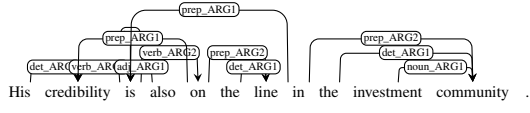
The machinists criticized the terms Mr. Wolf and management received in the buy-out .

[21305032]



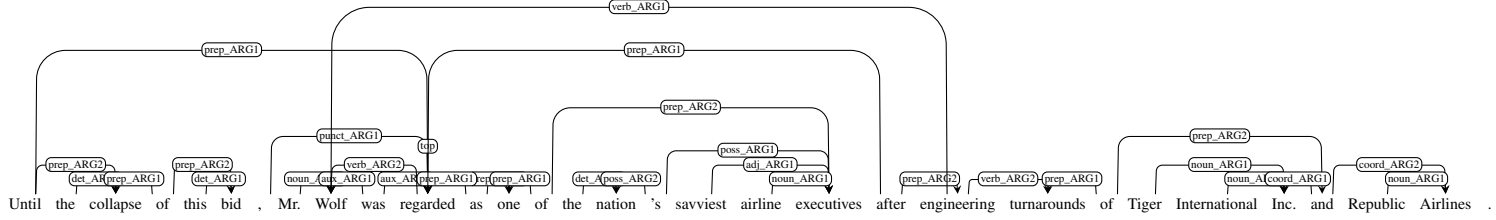
They paid \$ 15 million for a 1 % stake and received an additional 9 % of the company at no additional cost .

[21305033]



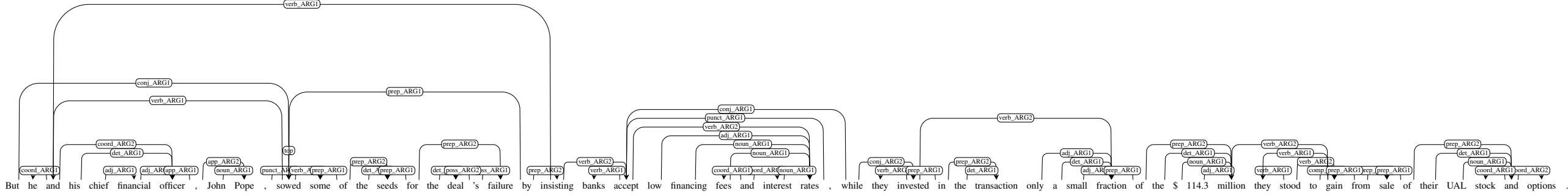
His credibility is also on the line in the investment community .

[21305034]



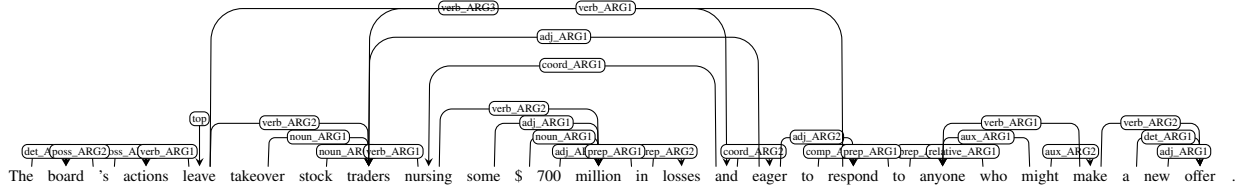
Until the collapse of this bid , Mr. Wolf was regarded as one of the nation 's savviest airline executives after engineering turnarounds of Tiger International Inc. and Republic Airlines .

[21305035]



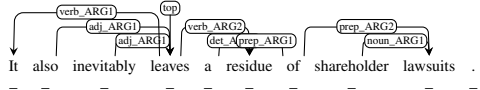
But he and his chief financial officer , John Pope , sowed some of the seeds for the deal 's failure by insisting banks accept low financing fees and interest rates , while they invested in the transaction only a small fraction of the \$ 114.3 million they stood to gain from sale of their UAL stock and options .

[21305036]



The board 's actions leave takeover stock traders nursing some \$ 700 million in losses and eager to respond to anyone who might make a new offer .

[21305037]



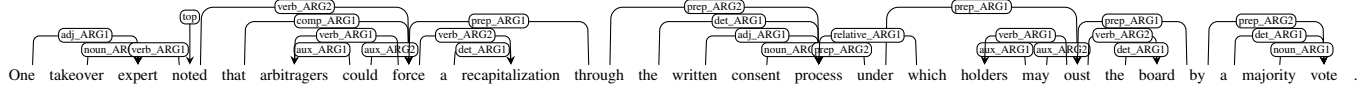
It also inevitably leaves a residue of shareholder lawsuits .

[21305038]



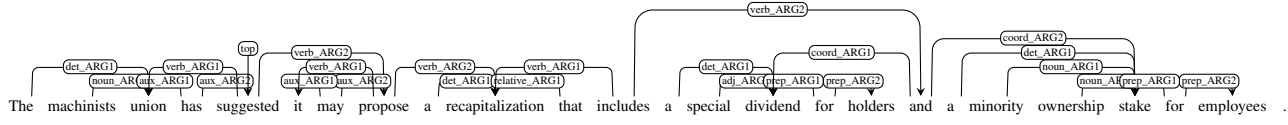
Arbitrators said they were disappointed the company did n't announce some recapitalization or other plan to maximize value .

[21305039]



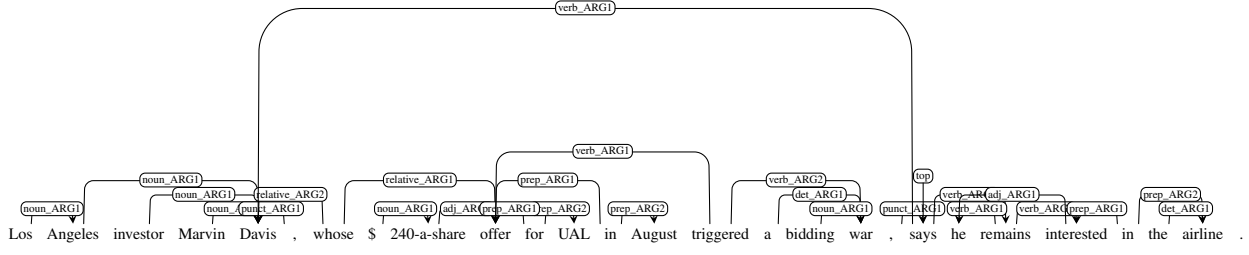
One takeover expert noted that arbitrators could force a recapitalization through the written consent process under which holders may oust the board by a majority vote .

[21305040]



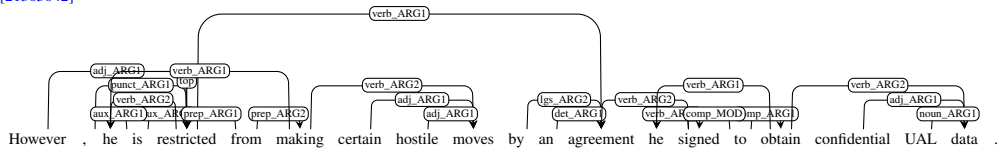
The machinists union has suggested it may propose a recapitalization that includes a special dividend for holders and a minority ownership stake for employees .

[21305041]



Los Angeles investor Marvin Davis , whose \$ 240-a-share offer for UAL in August triggered a bidding war , says he remains interested in the airline .

[21305042]



[21305043]

