

BUSINESS

UAL's nightmare on Wall Street

A 6-year-old story about United Airlines' filing for bankruptcy finds its way onto a news wire, throwing UAL stock into a tailspin. After the dust settles, nobody is accepting blame.

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Shares of United Airlines plummeted Monday following erroneous reports that the company had filed for bankruptcy — again.

Although the exact circumstances of the situation remained unclear, United said a 2002 Chicago Tribune story about the carrier's bankruptcy filing appeared on the Florida Sun-Sentinel newspaper website. That story was picked up by a financial newsletter publisher who posted it via Bloomberg.

Investors saw the report and swiftly began selling, sending the shares into a nose dive. The carrier's stock, which had opened at \$12.24, plummeted to \$3.73 in midmorning trading, prompting the Nasdaq to temporarily halt trading. The stock largely recovered its value, closing down \$1.38, or 11.2 percent, at \$10.92.

Market watchers said the precipitous fall of United's stock was symptomatic of both a troubled stock market and a particularly troubled industry racked by high oil prices and an uncertain future. Others called for more oversight of news websites.

Richard Lehmann, president of Income Security Advisors, the company that posted the Sun-Sentinel report to Bloomberg, said a staffer for the Miami-based firm came across the article during a generic Google search using the terms "bankruptcy" and "2008," and added the bankruptcy news to a daily newsletter distributed via Bloomberg.

"Only when phones started ringing here, it came to my attention," Lehmann said. "And I knew that there weren't any rumors" that United was about to file for bankruptcy.

Lehmann denied any wrongdoing, stating that his employees simply aggregate news on "distressed debt

securities."

"We're a news-gathering organization; we don't originate any news or source any stories," he said in an

phone interview Monday. "There's nothing I can see that we did that was out of line."

In a brief statement, a spokesman from The Chicago Tribune did not admit any wrongdoing. Both the Sun-Sentinel and Chicago Tribune are owned by Tribune Co.



The outlook for United Airlines was grim Monday when stock values plummeted with the rapid spread of a false rumor that the airline was filing for bankruptcy. Nasdaq halted trading on the company, and eventually the stock regained most of the value it had lost. (Karl Gehring, The Denver Post)

"We have been informed that a 2002 Chicago Tribune news report about United Airlines' financial condition was picked up and circulated on the Internet Monday morning," wrote Gary Weitman in an e-mail. "The story is not current. We are looking into the situation."

Looking at history

Chicago-based United filed for bankruptcy in 2002, taking more than three years to reorganize.

"Part of the reason this got any traction at all is because there has been a history of bankruptcy in the airline business, and investors get anxious," said Bruce Allen, president of Bruce G. Allen Investments in Denver. "I've been in this business for 23 years. I have not seen anything quite like this."

The airline said its attorneys are investigating whether the story was posted accidentally or maliciously.

"This is what happens when people are irresponsible and don't check facts," said United spokeswoman Jean Medina. "This is a serious event."

It's unclear whether the Tribune Co. or Income Security Advisors will face formal charges from the Securities and Exchange Commission, but stockholders, already venting on the Web, are calling for an SEC investigation.

"The sad reality is that there is so much manipulation going on now, that the SEC won't even investigate, unless you have lost millions. ... I'm going to invest in lottery tickets," said one commenter in a Google Finance forum for United titled "Someone needs to go to prison over this blatant market manipulation."

No long-term damage

For United, the event is "embarrassing" but won't cause long-term negative damage, said Roger King, an airline analyst for CreditSights Inc. in New York.

High oil prices, though they have come down, continue to make airline investments risky and uncertain, said John Claxton, vice president and financial consultant in Denver with RBC Wealth Management. That uncertainty undermines confidence in United's stock price and creates volatility, he said.

The incident may bring calls for additional oversight of news websites, and even Google, said Kevin O'Brien, chair of the business ethics and legal Studies program at the University of Denver's Daniels College of Business. Yet, he added that "it's a real stretch to go after someone on defamation."

"There's been harm to the company, as well as to its shareholders that sold during this time period," he said, adding that a finding of negligence might require websites to put new procedures in place to prevent such situations in the future.

"Crazy environment"

Election uncertainty, the prolonged bear market and the weekend's news of a bailout for Fannie Mae and Freddie Mac may have heightened United shareholders' anxiety, said **Andre Ratkai, president of Praxis Advisory Group in Denver.**

"Investors in general and airline shareholders in particular have really taken a shoot-first-ask-questions-later approach to their investments," he said. "A lot of individual investors who tend to stabilize the market, they're sitting on their hands right now."

Hedge funds and other big private investment firms "have got a lot of money and a lot of shares. They don't hesitate for a minute to dump them. The last thing they need is another bankruptcy on their hands. Plenty of bombs have already gone off in their portfolios," he said. "That's what's creating this crazy environment."

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