UAL CORP /DE/
Form 424B5
October 02, 2009

Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration No. 333-155794

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Issue Price	Amount of Registration Fee (1)
Convertible Senior Notes	$345,000,000	19,251

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

PROSPECTUS SUPPLEMENT
(To Prospectus dated December 1, 2008)

$300,000,000
UAL Corporation
6.0% Convertible Senior Notes due 2029

This is an offering by UAL Corporation (UAL) of $300,000,000 aggregate principal amount of 6.0% Convertible Senior Notes due 2029 (the Notes). The Notes will bear interest at the rate of 6.0% per year. Interest on the Notes is payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2010. The Notes will mature on October 15, 2029.

The Notes are convertible by holders into shares of UAL s common stock, par value $0.01 per share (the Common Stock) at an initial conversion rate of 115.1013 shares per $1,000 principal amount of the Notes, equivalent to an initial conversion price of approximately $8.69 per share of Common Stock, at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date for the Notes.

Such conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued interest, including any additional interest.

Following certain corporate transactions that occur on or prior to October 15, 2014, we will increase the applicable conversion rate for a holder that elects to convert its Notes in connection with such corporate transactions by a number of additional shares of Common Stock as described in this prospectus supplement.

We may not redeem the Notes prior to October 15, 2014. On or after October 15, 2014, we may redeem for cash all or part of the Notes at 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest, including any additional interest, to but excluding, the redemption date.

Holders have the right to require us to purchase all or a portion of their Notes on each of October 15, 2014, October 15, 2019 and October 15, 2024 at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest to, but excluding, such purchase date. In addition, if we undergo a fundamental change, as defined herein, holders may require us to purchase all or a portion of their Notes at a fundamental change purchase price equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date. We will pay the purchase price or fundamental change purchase price, as the case may be, in cash, shares of our Common Stock or a combination thereof, at our election, as described in this prospectus supplement.

We have granted the underwriters the option to purchase, exercisable for a period of 30 days from the date of this prospectus supplement, up to an additional $45,000,000 aggregate principal amount of Notes, solely to cover over-allotments, if any.

The Notes will be our senior unsecured obligations and will rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness incurred by our subsidiaries.

The Notes will not be listed on any securities exchange. Our Common Stock is listed on The NASDAQ Global Select Market under the symbol UAUA. The last reported sale price of our Common Stock on October 1, 2009, was $7.24 per share. Prior to this offering, there has been no public market for the Notes. In addition to the issuance of the Notes, we plan to issue shares of our Common Stock by a separate prospectus supplement. The issuance of the Notes offered hereby is not conditional on the issuance of such Common Stock.

Investing in the Notes involves risks. See Risk factors beginning on page S-5.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	**Total**
Public offering price[1]	100%	$ 300,000,000
Underwriting discounts and commissions	2.5%	$ 7,500,000
Proceeds, before expenses, to UAL	97.5%	$ 292,500,000

(1) Plus accrued interest from October 7, 2009, if settlement occurs after that date.

The underwriters expect to deliver the Notes to purchasers on or about October 7, 2009 only in book entry form through the facilities of The Depository Trust Company.

Joint Book-Running Managers

J.P. Morgan **Morgan Stanley** **Goldman, Sachs & Co.**

Co-Managers

Citi	**Credit Suisse**	**UBS Investment Bank**

October 1, 2009

Table of contents

Prospectus supplement

Prospectus

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, any related free writing prospectus issued by us (which we refer to as a Company free writing prospectus) and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different

information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement may be used only where it is legal to sell the Common Stock offered hereby. You should not assume that the information in this prospectus supplement, the accompanying prospectus, any related Company free writing prospectus or any document incorporated herein by reference is accurate as of any date other than the date of this prospectus supplement. Also, you should not assume that there has been no change in the affairs of UAL since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

Table of Contents

Presentation of information

These offering materials consist of two documents: (1) this prospectus supplement, which describes the terms of this offering of the Notes and the Common Stock issuable upon conversion of the Notes and (2) the accompanying prospectus, which provides general information about us and our securities, some of which may not apply to the Notes that we are currently offering and to the Common Stock issuable upon conversion of the Notes. **The information in this prospectus supplement replaces any inconsistent information included in the accompanying prospectus.**

At varying places in this prospectus supplement and the accompanying prospectus, we refer you to other sections of the documents for additional information by indicating the caption heading of the other sections. The page on which each principal caption included in this prospectus supplement and the accompanying prospectus can be found is listed in the table of contents on the preceding page. All cross references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise stated.

Certain statements contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking and thus reflect our and United Air Lines, Inc. s (together with its consolidated subsidiaries, United) current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as expects, will, plans, anticipates, indicate believes, forecast, guidance, outlook and similar expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus are based upon information available to us on the date such statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

UAL s and United s actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: our ability to comply with the terms of our amended credit facility and other financing arrangements; the costs and availability of financing; our ability to maintain adequate liquidity; our ability to execute our operational plans; our ability to control our costs, including realizing benefits from our resource optimization efforts and cost reduction initiatives; our ability to utilize our net operating losses; our ability to attract and retain customers; demand for transportation in the markets in which we operate; an outbreak of a disease that affects travel demand or travel behavior; demand for travel and the impact the economic recession has on customer travel patterns; the increasing reliance on enhanced video-conferencing and other technology as a means of conducting virtual meetings; general economic conditions (including interest rates, foreign currency exchange rates, investment or credit market conditions, crude oil prices, costs of aviation fuel and refining capacity in relevant markets); our ability to cost-effectively hedge against increases in the price of aviation fuel; any potential realized or unrealized gains or losses related to fuel or currency hedging programs; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom we have alliances or partnerships to provide the services contemplated by our respective arrangements with such carriers; the costs and availability of aviation and other insurance; the costs associated with security measures and practices; industry consolidation; competitive pressures on pricing and on demand; capacity decisions of United and/or our competitors; U.S. or foreign governmental legislation, regulation and other actions (including open skies agreements); labor costs; our ability to maintain satisfactory labor relations and the results of the collective bargaining agreement process with our union groups; any disruptions to operations due to any potential actions by our labor groups; weather conditions; and other risks and uncertainties, including those set forth in the SEC reports incorporated by reference in the accompanying prospectus or as stated or incorporated by reference in this prospectus supplement under the caption Risk factors. Consequently, forward-looking statements should not be regarded as representations or warranties by UAL or United that such matters will be realized.

Table of Contents

Summary

The following summary is qualified in its entirety by reference to the more detailed information and consolidated financial statements appearing elsewhere in this prospectus supplement and the accompanying prospectus, as well as the materials filed with the SEC, that are considered to be part of this prospectus supplement and the accompanying prospectus.

UAL Corporation

UAL is a holding company and its principal, wholly-owned subsidiary is United. We sometimes use the words we, our, the Company and us in this prospectus supplement for disclosures that relate to UAL, together with its consolidated subsidiaries. United s operations consist primarily of the transportation of persons, property, and mail throughout the United States and abroad. United provides these services through full-sized jet aircraft (which we refer to as its Mainline operations), as well as smaller aircraft in its regional operations conducted under contract by United Express® carriers.

United is one of the largest passenger airlines in the world. United offers nearly 3,300 flights a day to more than 200 destinations through its Mainline and United Express® services, based on its flight schedule from July 2009 to July 2010. United offers nearly 1,200 average daily Mainline departures to more than 120 destinations in 27 countries and two U.S. territories. United provides regional service, connecting primarily via United s domestic hubs, through marketing relationships with United Express® carriers, which provide more than 2,000 average daily departures to approximately 175 destinations. United serves virtually every major market around the world, either directly or through its participation in the Star Alliance®, the world s largest airline network.

UAL was incorporated under the laws of the State of Delaware on December 30, 1968. UAL s corporate headquarters is located at 77 West Wacker Drive, Chicago, Illinois 60601. The mailing address is P.O. Box 66919, Chicago, Illinois 60666 (telephone number (312) 997-8000).

Equity Offering

Concurrently with this offering, we are offering 19,000,000 shares of Common Stock in an underwritten public offering (the Equity Offering). The consummation of this offering is not conditional upon the consummation of the Equity Offering.

Table of Contents

The offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes contains a more detailed description of the terms and conditions of the Notes. In this The offering section, references to we, our, the Company and us only to UAL, and not to its subsidiaries.

Issuer	UAL Corporation.
Notes offered	$300,000,000 aggregate principal amount of 6.0% Convertible Senior Notes due 2029. We have granted the underwriters the option to purchase, exercisable for a period of 30 days from the date of this prospectus supplement, up to an additional $45,000,000 aggregate principal amount of Notes, solely to cover over-allotments.
Maturity date	October 15, 2029, subject to earlier repurchase, redemption or conversion.
Issue price	100% plus accrued and unpaid interest, if any from October 7, 2009.
Ranking	The Notes will be our senior unsecured obligations and will rank: senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries. As of June 30, 2009, our total consolidated indebtedness was $6.45 billion. After giving effect to the issuance of the Notes (assuming no exercise of the underwriters over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been approximately $6.75 billion.
Interest and payment dates	Interest on the Notes will accrue at a rate of 6.0% per annum on the principal amount from October 7, 2009, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2010.
Conversion rights	Holders may convert their Notes at their option into shares of Common Stock at an initial conversion rate of 115.1013 shares per $1,000 principal amount of the Notes, equivalent to an initial conversion price of approximately $8.69 per share of Common Stock, at any time prior to the close of business on the second scheduled trading day immediately

preceding the maturity date for the Notes. The conversion rate will be subject to adjustment in certain events, but will not be adjusted for accrued interest, including any additional interest.

In addition, following certain corporate transactions that occur on or prior to October 15, 2014, we will increase the applicable conversion rate for a holder who elects to convert in connection with such corporate transaction by a number of additional shares of our Common Stock as described under Description of the Notes Conversion rights Adjustment to shares delivered upon conversion upon certain corporate transactions.

You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, including any additional interest, upon conversion of a Note except in circumstances described under Description of the Notes Conversion rights General. Instead, interest will be deemed paid by the shares of our Common Stock delivered to you upon conversion of a Note.

Redemption at our option

We may not redeem the Notes prior to October 15, 2014. On or after October 15, 2014, we may redeem for cash all or part of the Notes. The redemption price will equal 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest, including any additional interest, to but excluding, the redemption date.

We will give notice of redemption not less than 35 nor more than 60 calendar days before the redemption date to each holder of Notes.

Purchase of Notes by us at the option of the holder

Holders have the right, subject to certain conditions, to require us to purchase all or a portion of their Notes on each of October 15, 2014, October 15, 2019 and October 15, 2024 (each such date we refer to as a purchase date). The purchase price payable will be equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest, including any additional interest, to but excluding, such purchase date. We will pay the purchase price for all Notes so purchased in cash, shares of our Common Stock or a combination thereof, at our election, using a price per share of our Common Stock equal to the average of the daily VWAP (as defined herein) of our Common Stock for the 20 consecutive trading days ending on the trading day prior to the purchase date.

Fundamental change

If we undergo a fundamental change (as defined under Description of the Notes Fundamental change permits holders to require us to purchase Notes), subject to certain conditions, you will have the option to require us to purchase all or any portion of your Notes. The fundamental change purchase price will be 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest, including any additional interest, to but excluding, the fundamental change purchase date. We will pay the fundamental change purchase price for all Notes so purchased in cash, shares of our Common Stock or a combination thereof, at our election, using a price per share of our Common Stock equal to the average of the daily VWAP (as defined herein) of our Common Stock for the 20 consecutive trading days ending on the trading day prior to the fundamental change purchase date.

Table of Contents

Use of proceeds	The net proceeds from this offering will be approximately $292 million (or approximately $336 million if the underwriters exercise their over-allotment option in full), after deducting fees and estimated expenses. We intend to use the net proceeds from this offering, together with the net proceeds from our concurrent Equity Offering for general corporate purposes. See Use of proceeds.
Book-entry form	The Notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC), and registered in the name of a nominee of DTC. Beneficial interests in any of the Notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances described herein. See Description of the Notes Book-entry, settlement and clearance.
Absence of a market for the Notes	The Notes will be new securities and there is currently no established market for the Notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. The underwriters have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the Notes without notice. We do not intend to apply for a listing of the Notes on any securities exchange or any automated dealer quotation system.
Trading symbol for our Common Stock	Our Common Stock is listed on The NASDAQ Global Select Market under the symbol UAUA.
U.S. federal income tax considerations	For a discussion of certain material U.S. federal income tax consideration relating to the purchase, ownership and disposition of the Notes and any Common Stock issuable upon conversion of the Notes, see Certain U.S. federal income tax considerations. Holders are urged to consult their own tax advisors with respect to the federal, state, local and foreign tax consequences of purchasing, owning and disposing of the Notes and the Common Stock issuable upon conversion of the Notes.
Trustee	The trustee for the Notes is The Bank of New York Mellon Trust Company, N.A.
Governing law	The indenture and the Notes will be governed by the laws of the State of New York.

You should refer to the section entitled Risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for an explanation of certain risks of investing in the Notes.

Risk factors

An investment in the Common Stock involves certain risks. You should carefully consider the risks described below and the risks described under Risk factors in our most recent annual report on Form 10-K and quarterly reports on Form 10-Q, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of the Common Stock could decline due to any of these risks or other factors, and you may lose all or part of your investment.

Risks related to the Common Stock

Certain provisions of UAL s Governance Documents could discourage or delay changes of control or changes to the Board of Directors of UAL.

Certain provisions of the amended and restated certificate of incorporation and amended and restated bylaws of UAL (together, the Governance Documents) may make it difficult for stockholders to change the composition of UAL s Board of Directors and may discourage takeover attempts that some of its stockholders may consider beneficial.

Certain provisions of the Governance Documents may have the effect of delaying or preventing changes in control if UAL s Board of Directors determines that such changes in control are not in the best interests of UAL and its stockholders.

These provisions of the Governance Documents are not intended to prevent a takeover, but are intended to protect and maximize the value of UAL s stockholders interests. While these provisions have the effect of encouraging persons seeking to acquire control of UAL to negotiate with the UAL Board of Directors, they could enable the Board of Directors to prevent a transaction that some, or a majority, of its stockholders might believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors.

UAL s amended and restated certificate of incorporation limits certain transfers of the Common Stock and the Notes offered hereby.

To reduce the risk of a potential adverse effect on the Company s ability to utilize its net operating loss carry forwards for federal income tax purposes, UAL s amended and restated certificate of incorporation contains a 5% ownership limitation (the 5% Ownership Limitation), applicable to all stockholders except the Pension Benefit Guaranty Corporation (PBGC). The 5% Ownership Limitation remains effective until February 1, 2011. The 5% Ownership Limitation prohibits (i) the acquisition by a single stockholder of shares representing 5% or more of the Common Stock of UAL and (ii) any acquisition or disposition of Common Stock by a stockholder that already owns 5% or more of UAL s Common Stock, unless prior written approval is granted by the UAL Board of Directors. The percentage ownership of a single stockholder can be computed by dividing the number of shares of Common Stock held by the stockholder by the sum of the shares of Common Stock issued and outstanding plus the number of shares of Common Stock still held in reserve for payment to unsecured creditors under the Debtors Second Amended Joint Plan of Reorganization pursuant to Chapter 11 of the United States Bankruptcy Code. Trading in the Common Stock or convertible notes of UAL (including the Notes) by a shareholder who owns (or would own upon conversion of convertible notes, including the Notes) 5% or more of the Common Stock may be subject to restrictions on transfer. For additional information regarding the 5% Ownership Limitation, please refer to UAL s amended and restated certificate of incorporation filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2008.

Any transfers of Common Stock and the Notes that are made in violation of the restrictions set forth above will be void and, pursuant to UAL s amended and restated certificate of incorporation, will be treated as if such transfer never occurred. This provision may prevent a sale of Common Stock or the Notes by a stockholder or adversely affect the price at which a stockholder can sell Common Stock or the Notes and consequently make it more difficult for a stockholder to sell shares of Common Stock or the Notes. In

Table of Contents

addition, this limitation may have the effect of delaying or preventing a change in control of UAL, creating a perception that a change in control cannot occur or otherwise discouraging takeover attempts that some stockholders may consider beneficial, which could also adversely affect the prevailing market price of the Common Stock or the Notes. UAL cannot predict the effect that this provision in the UAL amended and restated certificate of incorporation may have on the market price of the Common Stock or the Notes.

The issuance of UAL s contingent senior unsecured notes could adversely impact results of operations, liquidity and financial position and could cause dilution to the interests of its existing stockholders.

In connection with the Company s emergence from Chapter 11 bankruptcy protection, UAL is obligated under an indenture to issue to the PBGC 8% senior unsecured notes with an aggregate principal amount of up to $500 million in up to eight equal tranches of $62.5 million (with no more than one tranche issued as a result of each issuance trigger event) upon the occurrence of certain financial triggering events. An issuance trigger event occurs when the Company s EBITDAR (as defined in the indenture) exceeds $3.5 billion over the prior twelve months ending June 30 or December 31 of any applicable fiscal year, beginning with the fiscal year ending December 31, 2009 and ending with the fiscal year ending December 31, 2017. However, if the issuance of a tranche would cause a default under any other securities then existing, UAL may satisfy its obligations with respect to such tranche by issuing UAL Common Stock having a market value equal to $62.5 million. The issuance of the PBGC notes could adversely impact the Company s results of operations because of increased interest expense related to the PBGC notes and adversely impact its financial position or liquidity due to increased cash required to meet interest and principal payments. Any Common Stock issued in lieu of debt will cause additional dilution to existing UAL stockholders.

The price of the Common Stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of the Common Stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of the Common Stock could fluctuate significantly for various reasons which include:

changes in the prices or availability of oil or jet fuel;

our quarterly or annual earnings or those of other companies in our industry;

the public s reaction to our press releases, our other public announcements and our filings with the SEC;

changes in our earnings or recommendations by research analysts who track the Common Stock or the stock of other airlines;

changes in general conditions in the United States and global economy, financial markets or airline industry, including those resulting from changes in fuel prices or fuel shortages, war, incidents of terrorism or responses to such events;

changes in the competitive landscape for the airline industry, including any changes resulting from industry consolidation whether or not involving our company; and

the other factors described in these Risk factors.

In addition, in recent periods, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of the Common Stock could fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations could materially reduce our stock price.

Table of Contents

UAL s Common Stock has a limited trading history and its market price may be volatile.

Because UAL s Common Stock began trading on The NASDAQ National Market on February 2, 2006, there is limited trading history. The market price of the Common Stock may fluctuate substantially due to a variety of factors, many of which are beyond UAL s control.

The price of UAL s Common Stock may be affected by the availability of shares for sale in the market and upon conversion of our convertible notes.

The sale or availability for sale of substantial amounts of the Common Stock could adversely impact its price. UAL s amended and restated certificate of incorporation authorizes it to issue 1,000,000,000 shares of Common Stock. On September 23, 2009, there were 148,032,041 shares of UAL s Common Stock outstanding. Accordingly, a substantial number of shares of UAL s Common Stock are available for sale under our amended and restated certificate of incorporation.

UAL also issued approximately $150 million aggregate principal amount of convertible 5% notes shortly after the Company s emergence from bankruptcy, and subsequently issued approximately $726 million aggregate principal amount of convertible 4.5% notes on July 25, 2006. Holders of these securities may convert them into shares of UAL s Common Stock according to their terms. See our Current Report on Form 8-K dated May 1, 2009 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 for further information related to these convertible instruments.

In addition, we maintain various plans providing for the grant of stock options, stock appreciation rights (SARs), restricted share awards, restricted stock units, performance compensation awards, performance units, cash incentive awards and other equity-based and equity-related awards. As of August 31, 2009, the maximum number of shares subject to outstanding options and SARs, restricted share awards, restricted stock units, performance compensation awards, performance units, cash incentive awards and other equity-based and equity-related awards under such plans, and available for future grant under such plans, was approximately 12.3 million shares of Common Stock.

In addition, the Board of Directors is authorized to issue up to 250 million shares of preferred stock without any action on the part of UAL s stockholders. The UAL Board of Directors also has the power, without stockholder approval, to set the terms of any series of shares of preferred stock that may be issued, including voting rights, conversion rights, dividend rights, preferences over UAL s Common Stock with respect to dividends or if UAL liquidates, dissolves or winds up its business and other terms. If UAL issues preferred stock in the future that has a preference over its Common Stock with respect to the payment of dividends or upon its liquidation, dissolution or winding up, or if UAL issues preferred stock with voting rights that dilute the voting power of its Common Stock, the rights of holders of its Common Stock or the market price of its Common Stock could be adversely affected. UAL is also authorized to issue, without stockholder approval, other securities convertible into either preferred stock or, in certain circumstances, the Common Stock.

As part of the Equity Offering, we expect to issue 19,000,000 shares of Common Stock (or up to 21,850,000 shares of Common Stock if the underwriters exercise their over-allotment option in full). In the future, UAL may decide to raise capital through offerings of its Common Stock, securities convertible into its Common Stock, or rights to acquire these securities or Common Stock. The issuance of additional shares of Common Stock or securities convertible into Common Stock (including the Notes issued pursuant to this offering and the shares of Common Stock reserved for issuance upon conversion of the Notes issued pursuant to this offering) could result in dilution of existing stockholders equity interests in UAL. Issuances of substantial amounts of Common Stock, or the perception that such issuances could occur, may adversely affect prevailing market prices for UAL s Common Stock and UAL cannot predict the effect this dilution may have on the price of Common Stock.

We cannot predict the size of future issuances or sales of UAL s Common Stock in the public market or the effect, if any, that they may have on the market price for UAL s Common Stock. The issuance and sale of substantial amounts of Common Stock or other equity related securities (including convertible notes) or the

Table of Contents

perception that such issuances and sales may occur, could adversely affect the market price of the Common Stock.

UAL s amended and restated certificate of incorporation limits voting rights of certain foreign persons.

UAL s amended and restated certificate of incorporation limits the voting rights of persons holding any of UAL s equity securities who are not citizens of the United States, as defined in Section 40102(a)(15) of Title 49 United States Code, to 24.9% of the aggregate votes of all equity securities outstanding. This restriction is applied pro rata among all holders of equity securities who fail to qualify as citizens of the United States, based on the number of votes the underlying securities are entitled to.

UAL s Common Stock is equity and is subordinate to our existing and future indebtedness and preferred stock and effectively subordinated to all the indebtedness and other non-common equity claims against our subsidiaries.

Shares of the Common Stock are equity interests in us and do not constitute indebtedness. As such, shares of the Common Stock will rank junior to all of our indebtedness and to other non-equity claims against us and our assets available to satisfy claims against us, including in our liquidation. Additionally, holders of the Common Stock are subject to the prior dividend and liquidation rights of holders of our outstanding preferred stock. Our Board of Directors is authorized to issue additional classes or series of preferred stock without any action on the part of the holders of the Common Stock. Furthermore, our right to participate in a distribution of assets upon any of our subsidiaries liquidation or reorganization is subject to the prior claims of that subsidiary s creditors, including holders of any preferred stock. As of June 30, 2009, we had approximately $6.5 billion of outstanding long-term debt, including long-term debt maturing within one year. We may incur additional debt in the future as we seek to improve our liquidity position by, among other things, extending our debt maturities and seeking new sources of financing. Shares of the Common Stock will rank junior to any such additional debt incurred in the future.

You may not receive dividends on the Common Stock.

Holders of the Common Stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Other than a special distribution of $2.15 per share paid on January 23, 2008, we have historically not paid a cash dividend and have no plans to pay cash dividends on the Common Stock. We are incorporated in Delaware and governed by the Delaware General Corporation Law. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under Delaware law, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Furthermore, holders of the Common Stock may be subject to the prior dividend rights of holders of our preferred stock or the depositary shares representing such preferred stock then outstanding. Finally, under the terms of our amended credit facility, our ability to pay distributions on, or repurchase, the Common Stock is restricted. See Dividend policy.

Risks related to the Notes

Our level of indebtedness could impair our financial flexibility, competitive position and financial condition and could prevent us from fulfilling our obligations under the Notes.

We have a substantial amount of indebtedness. As of June 30, 2009, after giving effect to the offering of the Notes we would have had approximately $6.75 billion of indebtedness. In addition, we are not restricted under the terms of the Notes from incurring additional indebtedness or from having our subsidiaries incur any debt. We are permitted by the terms of our other indebtedness to incur substantial additional indebtedness, subject to the restrictions therein. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition and results of operations.

Our substantial indebtedness could have important consequences for you. For example, it could:

make it more difficult for us to satisfy our obligations under our indebtedness, including the Notes offered hereby;

limit our ability to borrow money or to sell or transfer assets in order to fund future working capital, capital expenditures, any future acquisitions, debt service requirements and other general business requirements;

require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures and other corporate requirements;

increase our vulnerability to general adverse economic and industry conditions;

limit our ability to respond to business opportunities; and

subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our indebtedness.

Any of the above listed factors could materially adversely affect our business, financial condition and results of operations.

We may not be able to purchase the Notes for cash upon a fundamental change or if holders require us to purchase all or a portion of their Notes on a purchase date.

Upon the occurrence of a fundamental change or if holders require us to purchase all or a portion of their Notes on a purchase date, we will be required to offer to purchase all outstanding Notes at a price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. Any Notes purchased by us will be paid for in cash, shares of our Common Stock or a combination thereof, at our election, See Description of the Notes Fundamental change permits holders to require us to purchase Notes and Description of the Notes Purchase of Notes by us at the option of the holder. We may not have sufficient funds or be able to arrange for financing at the time of a fundamental change or on a purchase date to elect to pay all or a portion of the purchase price in cash in connection with a tender of Notes for purchase. In addition, our ability to purchase your Notes for cash may be subject to limitations imposed by our amended credit agreement or any limitations we may have in any other credit facilities or indebtedness we may incur in the future. For example, our payments of principal amount of the Notes in cash upon a fundamental change or on a purchase date would constitute restricted payments and may constitute or cause an event of default under our amended credit agreement if such payments were in excess of any permitted baskets under our amended credit agreement.

The adjustment to the applicable conversion rate for Notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your Notes as a result of such transaction.

If a make-whole fundamental change occurs on or prior to October 15, 2014, under certain circumstances we will increase the applicable conversion rate by a number of additional shares of our Common Stock for Notes converted in connection with such make-whole fundamental change. The increase in the applicable conversion rate will be determined based on the date on which the specified corporate transaction becomes effective and the price paid per share of our Common Stock in, or the price of our Common Stock over a five trading-day period immediately preceding the effective date of, such transaction, as described under Description of the Notes Conversion rights

Adjustment to shares delivered upon conversion upon certain corporate transactions. The adjustment to the applicable conversion rate for Notes converted in connection with a make-whole fundamental change may not adequately compensate you for any lost value of your Notes as a result of such transaction. In addition, if the stock price for such transaction (determined as described under Description of the Notes Conversion rights Adjustment to shares delivered upon conversion upon certain corporate transactions) is greater than $60.00 per share, or if such price is less than $7.24 per share (each such price, subject to adjustment), no adjustment will be made to the applicable conversion rate.

Our obligation to increase the applicable conversion rate in connection with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Some significant restructuring transactions may not constitute a fundamental change under the Notes, in which case we would not be obligated to offer to repurchase the Notes.

The fundamental change provision of the Notes will not afford protection to holders of Notes in the event of certain transactions. For example, any leveraged recapitalization, refinancing, restructuring, or acquisition initiated by us will generally not constitute a fundamental change requiring us to make an offer to repurchase the Notes, even though any of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or credit ratings, thereby adversely affecting the holders of Notes.

A sale of all or substantially all of our assets will result in a change of control. The term all or substantially all as used in the definition of a change of control, however, will likely be interpreted under applicable state law and will be dependent upon particular facts and circumstances. As a result, there may be uncertainty as to whether a sale, assignment, conveyance, transfer, lease or other disposal is of all or substantially all of our assets, and thus whether a change of control has occurred.

You may receive less proceeds than expected if we elect to pay all or a portion of the purchase price or fundamental change purchase price in shares of our Common Stock.

Holders may require us to purchase their Notes on each of October 15, 2014, October 15, 2019 and October 15, 2024 or upon a fundamental change as described under Description of the Notes Fundamental change permits holders to require us to purchase Notes. If we elect to pay all or a portion of the purchase price or fundamental change purchase price in shares of our Common Stock, the issuance and sale of such shares of our Common Stock could adversely impact the market price of our Common Stock. If the market price of our Common Stock on the purchase date or the fundamental change purchase date is below the average of the daily VWAP of our Common Stock for the 20 consecutive trading days ending on the trading day prior to the purchase date or the fundamental change purchase date, as applicable, the value of any shares of our Common Stock that you will receive upon repurchase will be less than the value used to determine the number of shares you will receive.

The Notes may not have an active market and their price may be volatile. You may be unable to sell your Notes at the price you desire or at all.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. We do not intend to apply for the Notes to be listed on any securities exchange or to arrange for the Notes to be quoted on any quotation system. As a result, there can be no assurance that a liquid market will develop or be maintained for the Notes, that you will be able to sell any of the Notes at a particular time (if at all) or that the prices you receive if or when you sell the Notes will be above their initial offering price. The liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by, among other things:

- changes in the overall market for debt securities;
- change in the price of the Common Stock;

changes in our financial performance or prospects;

the prospects for companies in our industry generally;

the number of holders of the Notes;

Table of Contents

the interest of securities dealers in making a market for the Notes; and

prevailing interest rates.

The conversion rate of the Notes may not be adjusted for all dilutive events.

The conversion rate of the Notes is subject to adjustment for certain events including, but not limited to, the issuance of stock dividends on the Common Stock, the issuance of certain rights or warrants, subdivisions or combinations of the Common Stock, certain distributions of assets, debt securities, capital stock or cash to holders of the Common Stock and certain issuer tender or exchange offers as described under Description of the Notes Conversion rights Conversion rate adjustments. The conversion rate will not be adjusted for other events, such as an issuance of Common Stock for cash that may adversely affect the trading price of the Notes or the Common Stock. There can be no assurance that an event that adversely affects the value of the Notes, but does not result in an adjustment to the conversion rate, will not occur.

If you hold the Notes, you will not be entitled to any rights with respect to the Common Stock, but you will be subject to all changes made with respect to the Common Stock.

If you hold the Notes, you will not be entitled to any rights with respect to the Common Stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Stock), but you will be subject to all changes affecting the Common Stock. You will have rights with respect to the Common Stock only if you receive our Common Stock upon conversion and only as of the date when you become an owner of the shares of our Common Stock upon such conversion. For example, in the event that an amendment is proposed to our amended and restated certificate of incorporation requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date you are deemed the owner of the shares of our Common Stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of the Common Stock.

Although they are titled senior notes, the Notes will be effectively subordinated to our secured indebtedness and structurally subordinated to all of the obligations of our subsidiaries, including our subsidiaries guarantees of our indebtedness under our amended credit facility and existing notes.

We are a holding company and conduct all of our business through our subsidiaries. Although the Notes offered in this offering will be our senior notes, they will be structurally subordinated to all debt and other liabilities and commitments (including trade payables and guarantees of our debt) of our subsidiaries, including our subsidiaries guarantees of our indebtedness under our amended credit facility and existing notes. None of our existing or future subsidiaries will guarantee the Notes. As a result, our cash flows and our ability to service our debt, including the Notes, is dependent upon our subsidiaries earnings and their distributions of those earnings to us and may also be dependent upon loans, advances or other payments of funds to us by those subsidiaries.

The Notes are unsecured, will be effectively subordinated to all secured indebtedness we may incur, to the extent of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. As of June 30, 2009, our total consolidated indebtedness was $6.45 billion. After giving effect to the issuance of the Notes (assuming no exercise of the underwriters over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been $6.75 billion. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, assets that secure debt will be available to pay obligations on the Notes only after all debt secured by those assets has been repaid in full and we may not have sufficient assets to pay amounts due on any or all of the Notes then outstanding.

Our subsidiaries are separate and distinct legal entities. At June 30, 2009, our subsidiaries had $6.45 billion of indebtedness outstanding. None of our subsidiaries has guaranteed or otherwise become obligated with respect to the Notes. Our right to receive assets from any of our subsidiaries upon its liquidation or reorganization, and the right of holders of the Notes to participate in those assets, is structurally subordinated to claims of that

Table of Contents

subsidiary s creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us. Furthermore, none of our subsidiaries is under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries ability to pay dividends or make distributions, loans or advance to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the Notes.

Recent developments in the convertible debt markets may adversely affect the market value of the Notes.

Governmental actions that interfere with the ability of convertible notes investors to effect short sales of the underlying common stock could significantly affect the market value of the Notes. Such government actions would make the convertible arbitrage strategy that many convertible notes investors employ difficult to execute for outstanding convertible notes of any company whose common stock was subject to such actions. The convertible debt markets recently experienced unprecedented disruptions resulting from, among other things, the recent instability in the credit and capital markets and the emergency orders issued by the SEC on September 17 and 18, 2008 (and extended on October 1, 2008). These orders were issued as a stop-gap measure while Congress worked to provide a comprehensive legislative plan to stabilize the credit and capital markets. Among other things, these orders temporarily imposed a prohibition on effecting short sales of common stock of certain financial companies. As a result, the SEC orders made the convertible arbitrage strategy that many convertible notes investors employ difficult to execute for outstanding convertible notes of those companies whose common stock was subject to the short sale prohibition. Although the SEC orders expired at 11:59 p.m., New York City Time, on Wednesday, October 8, 2008, the SEC is currently considering instituting other limitations on effecting short sales (such as the up-tick rule) and other regulatory organizations may do the same. Among the approaches to restrictions on short selling currently under consideration by the SEC, one would apply on a market wide and permanent basis, including adoption of a new uptick rule or an alternative uptick rule that would allow short selling only at an increment above the national best bid, while the other would apply only to a particular security during severe market declines in that security, and would involve, among other things, bans on short selling in a particular security during a day if there is a severe decline in price in that security. If such limitations are instituted by the SEC or any other regulatory agencies, the market value of the Notes could be adversely affected.

The Notes are not protected by restrictive covenants.

The indenture governing the Notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. In addition, the indenture does not contain covenants or other provisions to afford protection to holders of the Notes in the event of a fundamental change involving us except to the extent described under Description of the Notes Fundamental change permits holders to require us to purchase Notes, Description of the Notes Conversion rights Adjustment to shares delivered upon conversion upon certain corporate transactions and Description of the Notes Consolidation, merger and sale of assets.

The fundamental change provisions may delay or prevent an otherwise beneficial takeover attempt of us.

The fundamental change purchase rights, which will allow noteholders to require us to purchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined herein, and the provisions requiring an increase to the conversion rate for conversions in connection with make-whole fundamental changes on or prior to October 15, 2014 may in certain circumstances delay or prevent a takeover of us and the removal of incumbent management that might otherwise be beneficial to investors.

Table of Contents

You may be subject to tax upon an adjustment to, or a failure to adjust, the conversion rate of the Notes even though you do not