

CONTINENTAL AIRLINES INC /DE/  
Form DEFM14A  
August 18, 2010  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Continental Airlines, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

UAL Corporation ( UAL ) and Continental Airlines, Inc. ( Continental ) have agreed to a merger of equals business combination (the merger ) and have entered into an Agreement and Plan of Merger, dated as of May 2, 2010 (the merger agreement ). Pursuant to the terms of the merger agreement, a wholly owned subsidiary of UAL will merge with and into Continental, with Continental surviving as a wholly owned subsidiary of UAL. Upon completion of the merger, UAL will be the parent company of both Continental and United Air Lines, Inc. and UAL 's name will be changed to United Continental Holdings, Inc.

Upon completion of the merger, Continental stockholders will receive 1.05 shares of UAL common stock for each share of Continental Class B common stock ( Continental common stock ) that they own (the exchange ratio ). This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger. Based on the closing price of UAL common stock on the NASDAQ Global Select Market (the NASDAQ ) on April 30, 2010, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$22.68 in value for each share of Continental common stock. Based on the closing price of UAL common stock on the NASDAQ on August 16, 2010, the latest practicable trading day before the date of this joint proxy statement/prospectus, the exchange ratio represented approximately \$22.83 in value for each share of Continental common stock. UAL stockholders will continue to own their existing UAL shares. UAL common stock is currently traded on the NASDAQ under the symbol UAUA, and Continental common stock is currently traded on the New York Stock Exchange (the NYSE ) under the symbol CAL. **We urge you to obtain current market quotations of UAL and Continental common stock.**

We intend for the merger to qualify as a reorganization for U.S. federal income tax purposes. Accordingly, Continental stockholders are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of Continental common stock for shares of UAL common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of UAL common stock.

Based on the estimated number of shares of UAL and Continental common stock that will be outstanding immediately prior to the closing of the merger, we estimate that, upon such closing, former UAL stockholders will own approximately 55.0% of the combined company and former Continental stockholders will own approximately 45.0% of the combined company.

UAL and Continental will each hold special meetings of their respective stockholders in connection with the proposed merger. At the special meeting of UAL stockholders, UAL stockholders will be asked to vote on the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and on the proposal to adopt UAL 's amended and restated certificate of incorporation. The proposal to issue shares of UAL common stock will be approved if the holders of a majority of the outstanding shares of UAL capital stock (including UAL common stock, Class Pilot MEC Junior Preferred Stock and Class IAM Junior Preferred Stock) present in person or represented by proxy at the UAL special meeting and entitled to vote on the proposal vote to approve the share issuance. The proposal to adopt UAL 's amended and restated certificate of incorporation will be approved if the holders of a majority of the outstanding shares of UAL capital stock (including UAL common stock, Class Pilot MEC Junior Preferred Stock and Class IAM Junior Preferred Stock) entitled to vote on the proposal vote to adopt the amended and restated certificate of incorporation. At the special meeting of Continental stockholders, Continental stockholders will be asked to vote on the proposal to adopt the merger agreement. The proposal to adopt the merger agreement will be approved if the holders of a majority of the outstanding shares of Continental common stock entitled to vote on the proposal vote to adopt the merger agreement.

We cannot complete the merger unless the stockholders of each company approve the proposals made by such company as described above. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend either special meeting in person, please submit a proxy to vote your shares as promptly as possible so that your shares may be represented and voted at the UAL or Continental special meeting, as applicable.**

**The UAL board of directors has unanimously approved the merger agreement and UAL 's amended and restated certificate of incorporation and determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL 's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that the adoption of UAL 's amended and restated certificate of incorporation is advisable. The UAL board of directors unanimously recommends that the UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL 's amended and restated certificate of incorporation. The Continental board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Continental and its stockholders. The Continental board of directors unanimously recommends that the Continental stockholders vote FOR the proposal to adopt the merger agreement.**

The obligations of UAL and Continental to complete the merger are subject to the satisfaction or waiver of several conditions. The accompanying joint proxy statement/prospectus contains detailed information about UAL, Continental, the special meetings, the merger agreement and the merger. **You should read this joint proxy statement/prospectus carefully and in its entirety before voting, including the section entitled Risk Factors beginning on page 20.**

We look forward to the successful combination of UAL and Continental.

Sincerely,

## Edgar Filing: CONTINENTAL AIRLINES INC /DE/ - Form DEFM14A

Glenn F. Tilton Chairman, President and Chief Executive Officer UAL  
Corporation

Jeffery A. Smisek Chairman, President and Chief Executive Officer Continental  
Airlines, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated August 18, 2010 and is first being mailed to UAL and Continental stockholders on or about August 18, 2010.

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**UAL Corporation**

**77 W. Wacker Drive**

**Chicago, IL 60601**

**(312) 997-8000**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On September 17, 2010**

To the Stockholders of UAL Corporation:

We are pleased to invite you to attend the special meeting of stockholders of UAL Corporation ( "UAL" ), a Delaware corporation, which will be held at the United Airlines Education and Training Center, 1200 East Algonquin Road, Elk Grove Village, Illinois, on September 17, 2010, at 10:00 a.m., local time, for the following purposes:

to consider and vote on the proposal to approve the issuance of shares of UAL common stock to Continental Airlines, Inc. ( "Continental" ) stockholders pursuant to the merger as contemplated by the Agreement and Plan of Merger, dated as of May 2, 2010, by and among UAL, Continental and JT Merger Sub Inc., a wholly owned subsidiary of UAL (the "merger agreement" ), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice forms a part;

to consider and vote on the proposal to adopt UAL's amended and restated certificate of incorporation, a copy of which is included as Annex F to the joint proxy statement/prospectus of which this notice forms a part, as contemplated by the merger agreement; and

to vote upon the proposal to adjourn the UAL special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposals.

UAL will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournment or postponement thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the UAL special meeting.

Completion of the merger is conditioned on, among other things, approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation by UAL stockholders.

**The UAL board of directors has unanimously approved the merger agreement and UAL's amended and restated certificate of incorporation and determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that the adoption of UAL's amended and restated certificate of incorporation is advisable. The UAL board of directors unanimously recommends that UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL's amended and restated certificate of incorporation.**

The UAL board of directors has fixed the close of business on August 12, 2010 as the record date for determination of UAL stockholders entitled to receive notice of, and to vote at, the UAL special meeting or any adjournments or postponements thereof. Only holders of record of UAL capital stock at the close of business on the record date are entitled to receive notice of, and to vote at, the UAL special meeting. The issuance of shares of UAL common stock requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock (including UAL common stock, Class Pilot MEC Junior Preferred Stock and Class IAM Junior Preferred Stock) present in person or represented

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by proxy at the UAL special meeting and entitled to vote on the proposal. Adoption of UAL's amended and restated certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock (including UAL common stock, Class Pilot MEC Junior Preferred Stock and Class IAM Junior Preferred Stock) entitled to vote on the proposal. A list of the

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names of UAL stockholders of record will be available for ten days prior to the UAL special meeting for any purpose germane to the special meeting between the hours of 9:00 a.m. and 5:00 p.m., local time, at UAL's headquarters, 77 W. Wacker Drive, Chicago, IL 60601. The UAL stockholder list will also be available at the UAL special meeting for examination by any stockholder present at such meeting.

**Your vote is very important. Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares as promptly as possible by either (1) logging onto <http://www.envisionreports.com/uaua> and following the prompts using your six digit control number located on your meeting notice or proxy card; (2) dialing 1-800-652-8683 and listening for further directions; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the UAL special meeting. If your shares are held in a United 401(k) Plan or in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished by the plan trustee or administrator, or record holder, as appropriate.**

The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement as well as a description of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and a description of UAL's amended and restated certificate of incorporation. We urge you to read this joint proxy statement/prospectus, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of UAL common stock, please contact UAL's proxy solicitor:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

(212) 750-5833

By Order of the Board of Directors of

UAL Corporation,

Thomas J. Sabatino, Jr.  
Senior Vice President, General Counsel and Corporate  
Secretary

Chicago, Illinois

August 18, 2010

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**Continental Airlines, Inc.**

**1600 Smith Street, Dept. HQSEO**

**Houston, TX 77002**

**(713) 324-2950**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On September 17, 2010**

To the Stockholders of Continental Airlines, Inc.:

We are pleased to invite you to attend the special meeting of stockholders of Continental Airlines, Inc. ( Continental ), a Delaware corporation, which will be held at The Crowne Plaza Hotel, 1700 Smith Street, Houston, Texas on September 17, 2010 at 10:00 a.m., local time, for the following purposes:

to consider and vote on the proposal to adopt the Agreement and Plan of Merger, dated as of May 2, 2010, by and among UAL Corporation ( UAL ), Continental and JT Merger Sub Inc., a wholly owned subsidiary of UAL (the merger agreement ), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice forms a part; and

to vote upon the proposal to adjourn the Continental special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal.

Continental will transact no other business at the special meeting except such business as may properly be brought before the special meeting or any adjournment or postponements thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Continental special meeting.

**The Continental board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Continental and its stockholders. The Continental board of directors unanimously recommends that Continental stockholders vote FOR the proposal to adopt the merger agreement.**

The Continental board of directors has fixed the close of business on August 12, 2010 as the record date for determination of Continental stockholders entitled to receive notice of, and to vote at, the Continental special meeting or any adjournments or postponements thereof. Only holders of record of Continental Class B common stock ( Continental common stock ) at the close of business on the record date are entitled to receive notice of, and to vote at, the Continental special meeting. Adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Continental common stock entitled to vote on the proposal. A list of the names of Continental stockholders of record will be available for ten days prior to the Continental special meeting for any purpose germane to the special meeting between the hours of 9:00 a.m. and 5:00 p.m., local time, at Continental s headquarters, 1600 Smith Street, Houston, Texas 77002. The Continental stockholder list will also be available at the Continental special meeting for examination by any stockholder present at such meeting.

**Your vote is very important. Whether or not you expect to attend the Continental special meeting in person, we urge you to submit a proxy to vote your shares as promptly as possible by either: (1) logging onto <http://www.proxyvote.com> and following the instructions on your proxy card; (2) dialing 1-800-690-6903 and listening for further directions; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Continental special meeting.** If your shares are held in a Continental plan or in the name of a broker, bank or other nominee, please follow the instructions on the voting instruction card furnished by the plan trustee or administrator, or record holder, as appropriate.



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The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read this joint proxy statement/prospectus, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Continental common stock, please contact Continental's proxy solicitor:

Georgeson Inc.

199 Water Street, 26th Floor

New York, New York 10038

(866) 767-8986 (toll free)

(212) 806-6859 (international)

(212) 440-9800 (banks and brokers)

By Order of the Board of Directors of Continental  
Airlines, Inc.,

Jennifer L. Vogel  
Senior Vice President, General Counsel,

Secretary and Chief Compliance Officer

Houston, Texas

August 18, 2010

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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about UAL and Continental from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**Innisfree M&A Incorporated**

501 Madison Avenue, 20th Floor

New York, NY 10022

Stockholders May Call Toll-Free: (877) 800-5182

Banks and Brokers May Call Collect: (212) 750-5833

or

**UAL Corporation**

77 W. Wacker Drive

Chicago, IL 60601

(312) 997-8000

Attn: Investor Relations

**Georgeson Inc.**

199 Water Street, 26th Floor

New York, New York 10038

Stockholders May Call Toll-Free: (866) 767-8986

International: (212) 806-6859

Banks and Brokers May Call Collect: (212) 440-9800

or

**Continental Airlines, Inc.**

1600 Smith Street, Dept. HQSEO

Houston, TX 77002

(713) 324-2950

Attn: Investor Relations

Investors may also consult UAL's or Continental's website for more information concerning the merger described in this joint proxy statement/prospectus. UAL's website is [www.united.com](http://www.united.com). Continental's website is [www.continental.com](http://www.continental.com). Additional information about the merger is available at [www.unitedcontinentalmerger.com](http://www.unitedcontinentalmerger.com). Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

**If you would like to request any documents, please do so by September 10, 2010 in order to receive them before the special meetings.**

For a more detailed description of the information incorporated by reference in this joint proxy statement/prospectus and how you may obtain it, see "Where You Can Find More Information" beginning on page 141.

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**ABOUT THIS JOINT PROXY STATEMENT/PROSPECTUS**

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (the "SEC") by UAL, constitutes a prospectus of UAL under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of UAL common stock to be issued to Continental stockholders pursuant to the merger. This joint proxy statement/prospectus also constitutes a joint proxy statement for both UAL and Continental under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). It also constitutes a notice of meeting with respect to the special meeting of UAL stockholders and a notice of meeting with respect to the special meeting of Continental stockholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated August 18, 2010. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this joint proxy statement/prospectus to UAL stockholders or Continental stockholders nor the issuance by UAL of shares of common stock pursuant to the merger will create any implication to the contrary.

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement/prospectus regarding UAL has been provided by UAL and information contained in this joint proxy statement/prospectus regarding Continental has been provided by Continental.**

All references in this joint proxy statement/prospectus to "UAL" refer to UAL Corporation, a Delaware corporation; all references in this joint proxy statement/prospectus to "United" refer to United Air Lines, Inc., a Delaware corporation and wholly owned subsidiary of UAL; all references in this joint proxy statement/prospectus to "Continental" refer to Continental Airlines, Inc., a Delaware corporation; all references to "Merger Sub" refer to JT Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of UAL formed for the sole purpose of effecting the merger; all references to "Continental common stock" refer to Continental Class B common stock; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to "we," "our" and "us" refer to UAL and Continental collectively; and, unless otherwise indicated or as the context requires, all references to the "merger agreement" refer to the Agreement and Plan of Merger, dated as of May 2, 2010, by and among UAL Corporation, Continental Airlines, Inc. and JT Merger Sub Inc., a copy of which is included as Annex A to this joint proxy statement/prospectus. UAL, following completion of the merger, is sometimes referred to in this joint proxy statement/prospectus as the "combined company."

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**QUESTIONS AND ANSWERS**

*The following are some questions that you, as a stockholder of UAL or a stockholder of Continental, may have regarding the merger and the other matters being considered at the special meetings and the answers to those questions. UAL and Continental urge you to carefully read the remainder of this joint proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meetings. Additional important information is also contained in the Annexes to and the documents incorporated by reference into this joint proxy statement/prospectus.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: UAL and Continental have agreed to a business combination pursuant to the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is included in this joint proxy statement/prospectus as Annex A. In order to complete the merger, among other things:

UAL stockholders must approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger;

UAL stockholders must approve the adoption of UAL's amended and restated certificate of incorporation; and

Continental stockholders must approve the adoption of the merger agreement.

UAL and Continental will hold separate special meetings of their stockholders to obtain these approvals. This joint proxy statement/prospectus, including its Annexes, contains and incorporates by reference important information about UAL and Continental, the merger and the stockholder meetings of UAL and Continental. You should read all the available information carefully and in its entirety.

**Q: What will I receive in the merger?**

A: *UAL Stockholders:* If the merger is completed, UAL stockholders will not receive any merger consideration and will continue to hold their shares of UAL capital stock. UAL capital stock consists of the outstanding shares of UAL common stock, one outstanding share of Class Pilot MEC Junior Preferred Stock and one outstanding share of Class IAM Junior Preferred Stock. Holders of the shares of Class Pilot MEC Junior Preferred Stock and Class IAM Junior Preferred Stock will maintain their voting rights with respect to election of directors for the combined company.

*Continental Stockholders:* If the merger is completed, holders of Continental common stock will receive 1.05 shares of UAL common stock for each share of Continental common stock they hold at the effective time of the merger. Continental stockholders will not receive any fractional shares of UAL common stock in the merger. Instead, UAL will pay cash in lieu of any fractional shares of UAL common stock that a Continental stockholder would otherwise have been entitled to receive.

**Q: What is the value of the merger consideration?**

A: Because UAL will issue 1.05 shares of UAL common stock in exchange for each share of Continental common stock, the value of the merger consideration that Continental stockholders receive will depend on the price per share of UAL common stock at the effective time of the merger. That price will not be known at the time of the special meetings and may be less than the current price or the price at the time of the special meetings. We urge you to obtain current market quotations of UAL common stock and Continental common stock.



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### **Q: When and where will the special stockholders meetings be held?**

A: *UAL Stockholders:* The special meeting of UAL stockholders will be held at the United Airlines Education and Training Center, 1200 East Algonquin Road, Elk Grove Village, Illinois, on September 17, 2010, at 10:00 a.m., local time.

*Continental Stockholders:* The special meeting of Continental stockholders will be held at The Crowne Plaza Hotel, 1700 Smith Street, Houston, Texas, on September 17, 2010, at 10:00 a.m., local time.

### **Q: Who is entitled to vote at the special stockholders meetings?**

A: *UAL Stockholders:* The record date for the UAL special meeting is August 12, 2010. Only holders of record of outstanding shares of UAL capital stock as of the close of business on the record date are entitled to notice of, and to vote at, the UAL special meeting or any adjournment or postponement of the UAL special meeting.

*Continental Stockholders:* The record date for the Continental special meeting is August 12, 2010. Only holders of record of outstanding shares of Continental common stock as of the close of business on the record date are entitled to notice of, and to vote at, the Continental special meeting or any adjournment or postponement of the Continental special meeting.

### **Q: What constitutes a quorum at the special stockholders meetings?**

A: *UAL Stockholders:* Stockholders who hold shares representing at least a majority of the shares entitled to vote at the UAL special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the UAL special meeting. The holders of a majority of the shares entitled to vote and present in person or represented by proxy at any meeting of UAL stockholders, whether or not a quorum is present, may adjourn such meeting to another time and place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the original meeting. No notice of an adjourned meeting need be given unless the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Abstentions will be included in the calculation of the number of shares of UAL capital stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes, which are described below, will not be included in the calculation of the number of shares of UAL capital stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

*Continental Stockholders:* Stockholders who hold shares representing at least a majority of the aggregate voting power of the outstanding stock entitled to vote at the Continental special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Continental special meeting. The Continental stockholders, by a majority of the votes cast at the meeting by the holders of Continental common stock entitled to vote and present in person or by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or, if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Abstentions will be included in the calculation of the number of shares of Continental common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Continental common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.



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### **Q: How do I vote if I am a stockholder of record?**

A: *UAL Stockholders.* If you are a stockholder of record of UAL as of the close of business on the record date for the UAL special meeting, you may vote in person by attending the UAL special meeting or, to ensure your shares are represented at the UAL special meeting, you may authorize a proxy to vote by:

logging onto <http://www.envisionreports.com/uaua> and following the prompts using your six digit control number located on your meeting notice or proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on September 16, 2010 and following the instructions provided on that site;

dialing 1-800-652-8683 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on September 16, 2010, and following the instructions provided in the recorded message; or

signing and returning your proxy card in the postage-paid envelope provided.

If you hold UAL shares in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the UAL special meeting. If you hold shares through an employee plan provided by UAL, please see the question below How are my employee plan shares voted?

*Continental Stockholders.* If you are a stockholder of record of Continental as of the close of business on the record date for the Continental special meeting, you may vote in person by attending the Continental special meeting or, to ensure your shares are represented at the Continental special meeting, you may authorize a proxy to vote by:

logging onto <http://www.proxyvote.com> and following the instructions on your proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on September 16, 2010 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on September 16, 2010 and following the instructions provided in the recorded message; or

signing and returning your proxy card in the postage-paid envelope provided.

If you hold Continental shares in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the Continental special meeting.

### **Q: How many votes do I have?**

A: *UAL Stockholders:* Holders of UAL capital stock are entitled to one vote for each share of UAL capital stock owned as of the close of business on the UAL record date. As of the close of business on the UAL record date, there were 168,452,800 shares of UAL capital stock outstanding and entitled to vote at the UAL special meeting.

*Continental Stockholders:* Holders of Continental common stock are entitled to one vote for each share owned as of the close of business on the Continental record date. As of the close of business on the Continental record date, there were 140,557,171 shares of Continental common stock outstanding and entitled to vote at the Continental special meeting.

**Q: What vote is required to approve each proposal?**

A: *UAL Stockholders:* The issuance of shares of UAL common stock requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock present in person or represented by proxy at the UAL special meeting and entitled to vote on the proposal. Votes to abstain are treated the same as votes against the proposal. Failures to vote and broker non-votes, which are described below, will have no effect on the proposal, assuming a quorum is present.

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Adoption of UAL's amended and restated certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock entitled to vote on the proposal. Failures to vote, votes to abstain and broker non-votes will have the effect of a vote against the proposal.

*Continental Stockholders:* Adoption of the merger agreement requires the affirmative vote of holders of a majority of the outstanding shares of Continental common stock entitled to vote on the proposal. Failures to vote, votes to abstain and broker non-votes will have the effect of a vote against the proposal.

**Q: My shares are held in street name by my broker, bank or other nominee. Will my broker, bank or other nominee automatically vote my shares for me?**

A: No. If your shares are held in the name of a broker, bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. You are not the record holder of such shares. If this is the case, this joint proxy statement/prospectus has been forwarded to you by your broker, bank or other nominee. As the beneficial holder, unless your broker, bank or other nominee has discretionary authority over your shares, you generally have the right to direct your broker, bank or other nominee as to how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which your broker, bank or other nominee does not have discretionary authority. This is often called a broker non-vote. In connection with the UAL special meeting, broker non-votes will have no effect on the proposal to approve the issuance of shares of UAL common stock (assuming a quorum is present) and will have the same effect as a vote AGAINST the proposal to adopt UAL's amended and restated certificate of incorporation. In connection with the Continental special meeting, broker non-votes will have the same effect as a vote AGAINST the proposal to adopt the merger agreement. You should therefore provide your broker, bank or other nominee with instructions as to how to vote your shares of UAL capital stock or Continental common stock.

Please follow the voting instructions provided by your broker, bank or other nominee so that it may vote your shares on your behalf. Please note that you may not vote shares held in street name by returning a proxy card directly to UAL or Continental or by voting in person at your special meeting unless you first obtain a proxy from your broker, bank or other nominee.

**Q: How are my employee plan shares voted?**

A: *Employees of UAL:* If you hold shares through the United Airlines Management and Administrative 401(k) Plan, the United Airlines Flight Attendant 401(k) Plan or the United Airlines Ground Employee 401(k) Plan (collectively, the United 401(k) Plans), you can instruct the trustee of the United 401(k) Plans, Evercore Trust Company, N.A. (the trustee), in a confidential manner, how to vote the shares allocated to you in the applicable United 401(k) Plan by one of the following three methods:

logging onto <http://www.envisionreports.com/uaua> and following the prompts using your six digit control number located on your meeting notice or proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on September 13, 2010 and following the instructions provided on that site;

dialing 1-800-652-8683 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on September 13, 2010, and following the instructions provided in the recorded message; or

marking, signing and mailing your proxy card to the address indicated on your proxy card. Your proxy card must be received by UAL's transfer agent, Computershare, at P.O. Box 43126, Providence, Rhode Island 02940-3126, no later than 5:00 p.m., eastern time, on September 13, 2010, to ensure that the trustee of the United 401(k) Plans is able to vote your shares in accordance with your wishes.

In addition, since only the trustee of the United 401(k) Plans can vote your shares, you will not be able to vote your United 401(k) Plan shares personally at the UAL special meeting. Please note that the applicable trust agreement governing the United 401(k) Plans provides that if the

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trustee does not receive your voting instructions, the trustee will vote your shares in the same proportion as it votes the shares for which instructions are timely received from other participants.

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Voting of the shares in the United 401(k) Plans by the trustee is subject to federal pension laws, which require the trustee to act as a fiduciary for participants in United 401(k) Plans in deciding how to vote the shares. Therefore, irrespective of these voting provisions, it is possible that the trustee may decide to vote shares other than as set forth above if it determines it is required to do so under applicable law. If you are a participant (or a beneficiary of a deceased participant) in a United 401(k) Plan and you also own other shares of UAL common stock outside of your United 401(k) Plan account, you should receive a proxy card for shares credited to your account in the applicable United 401(k) Plan and a separate proxy card if you are a record holder of additional shares of UAL common stock or voting instruction card if you hold additional shares of UAL common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker, bank or other nominee and shares that are allocated to your United 401(k) Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of UAL common stock.

### **Q: How does the UAL board of directors recommend that UAL stockholders vote?**

A: The UAL board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that UAL's amended and restated certificate of incorporation is advisable. The UAL board of directors unanimously recommends that UAL stockholders vote **FOR** the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and **FOR** the proposal to adopt UAL's amended and restated certificate of incorporation.

### **Q: How does the Continental board of directors recommend that Continental stockholders vote?**

A: The Continental board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of Continental and its stockholders. The Continental board of directors unanimously recommends that Continental stockholders vote **FOR** the proposal to adopt the merger agreement.

### **Q: What will happen if I fail to vote or I abstain from voting?**

A: *UAL Stockholders:* If you are a UAL stockholder and fail to vote or fail to instruct your broker, bank or other nominee to vote, it will have no effect on the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger, assuming a quorum is present, and will have the effect of a vote **AGAINST** the proposal to adopt UAL's amended and restated certificate of incorporation. If you are a UAL stockholder and you mark your proxy or voting instructions to abstain, it will have the effect of a vote **AGAINST** the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and **AGAINST** the proposal to adopt UAL's amended and restated certificate of incorporation. If you are a UAL stockholder through any United 401(k) Plan and fail to instruct the trustee how to vote, the trustee will vote your shares as described above under the question "How are my employee plan shares voted?"

*Continental Stockholders:* If you are a Continental stockholder and fail to vote, fail to instruct your broker, bank or other nominee to vote, or mark your proxy or voting instructions to abstain, it will have the effect of a vote **AGAINST** the proposal to adopt the merger agreement.

### **Q: What will happen if I return my proxy card without indicating how to vote?**

A: *UAL Stockholders:* If you properly complete and sign your proxy card but do not indicate how your shares of UAL capital stock should be voted on a matter, the shares of UAL capital stock represented by your proxy will be voted as the UAL board of directors recommends and, therefore, **FOR** the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and **FOR** the proposal to adopt UAL's amended and restated certificate of incorporation.



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*Continental Stockholders:* If you properly complete and sign your proxy card but do not indicate how your shares of Continental common stock should be voted on a matter, the shares of Continental common stock represented by your proxy will be voted as the Continental board of directors recommends and, therefore, FOR the proposal to adopt the merger agreement.

### **Q: Can I change my vote or revoke my proxy after I have returned a proxy or voting instruction card?**

A: Yes.

*If you are the holder of record of either UAL or Continental stock:* If you are the holder of record of stock, you can change your vote or revoke your proxy at any time before your proxy is voted at your special meeting. You can do this in one of three ways:

you can grant a new, valid proxy bearing a later date (including by telephone or through the Internet);

you can send a signed notice of revocation; or

you can attend your special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person. Simply attending the UAL special meeting or the Continental special meeting without voting will not revoke any proxy that you have previously given or change your vote.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by UAL or Continental, as applicable, no later than the beginning of the applicable special meeting. If you have submitted a proxy for your shares by telephone or via the Internet, you may revoke your prior telephone or Internet proxy by any manner described above.

*If you hold shares of either UAL or Continental in street name :* If your shares are held in street name, you must contact your broker, bank or other nominee to change your vote.

*If you hold UAL shares in any United 401(k) Plan:* If you hold shares of UAL common stock in any United 401(k) Plan, there are two ways in which you may revoke your instructions to the trustee and change your vote with respect to voting the shares allocated to you in that United 401(k) Plan:

First, you may submit new voting instructions under any one of the three methods described above under the question How are my employee plan shares voted? The latest dated instructions actually received by Evercore Trust Company, the trustee for the United 401(k) Plans, in accordance with the instructions for voting set forth in this joint proxy statement/prospectus, will be the instructions that are followed, and all earlier instructions will be revoked.

Second, you may send a written notice to UAL's transfer agent, Computershare, at P.O. Box 43126, Providence, Rhode Island 02940-3126, stating that you would like to revoke your instructions to Evercore Trust Company, the trustee for the United 401(k) Plans. This written notice must be received no later than 5:00 p.m., eastern time, on September 13, 2010, in order to revoke your prior instructions.

### **Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of Continental common stock?**

A:

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The merger is intended to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). Assuming the merger qualifies as a reorganization, a holder of Continental common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Continental common stock for shares of UAL common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares.



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**Q: When do you expect the merger to be completed?**

A: UAL and Continental hope to complete the merger as soon as reasonably possible and expect the closing of the merger to occur in the fourth quarter of 2010. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of UAL and Continental could result in the merger being completed at an earlier time, a later time or not at all. There may be a substantial amount of time between the UAL and Continental special meetings and the completion of the merger.

**Q: Do I need to do anything with my shares of common stock other than voting for the proposals at the special meeting?**

A: *UAL Stockholders:* If you are a UAL stockholder, after the merger is completed, you are not required to take any action with respect to your shares of UAL common stock.

*Continental Stockholders:* If you are a Continental stockholder, after the merger is completed, each share of Continental common stock you hold will be converted automatically into the right to receive 1.05 shares of UAL common stock together with cash in lieu of any fractional shares, as applicable. You will receive instructions at that time regarding exchanging your shares for shares of UAL common stock. You do not need to take any action at this time. Please do not send your Continental stock certificates with your proxy card.

**Q: Are stockholders entitled to appraisal rights?**

A: No. Neither the stockholders of UAL nor the stockholders of Continental are entitled to appraisal rights in connection with the merger under Delaware law.

**Q: What happens if I sell my shares of Continental common stock before the Continental special meeting?**

A: The record date for the Continental special meeting is earlier than the date of the Continental special meeting and the date that the merger is expected to be completed. If you transfer your Continental shares after the Continental record date but before the Continental special meeting, you will retain your right to vote at the Continental special meeting, but will have transferred the right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares through the effective date of the merger.

**Q: What if I hold shares in both UAL and Continental?**

A: If you are a stockholder of both UAL and Continental, you will receive two separate packages of proxy materials. A vote cast as a UAL stockholder will not count as a vote cast as a Continental stockholder, and a vote cast as a Continental stockholder will not count as a vote cast as a UAL stockholder. Therefore, please separately submit a proxy for each of your UAL and Continental shares.

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**Q: Who can help answer my questions?**

A: UAL stockholders or Continental stockholders who have questions about the merger, the other matters to be voted on at the special meetings, or how to submit a proxy or desire additional copies of this joint proxy statement/prospectus or additional proxy cards should contact:

**If you are a UAL stockholder:**

**Innisfree M&A Incorporated**

501 Madison Avenue, 20th Floor

New York, NY 10022

Stockholders May Call Toll-Free: (877) 800-5182

Banks and Brokers May Call Collect: (212) 750-5833

or

**UAL Corporation**

77 W. Wacker Drive

Chicago, IL 60601

(312) 997-8000

Attn: Investor Relations

**If you are a Continental stockholder:**

**Georgeson Inc.**

199 Water Street, 26th Floor

New York, New York 10038

Stockholders May Call Toll-Free (866) 767-8986

International: (212) 806-6859

Banks and Brokers May Call Collect: (212)  
440-9800

or

**Continental Airlines, Inc.**

1600 Smith Street, Dept. HQSEO

Houston, TX 77002

(713) 324-2950

Attn: Investor Relations

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### **SUMMARY**

*This summary highlights information contained elsewhere in this joint proxy statement/prospectus and may not contain all the information that is important to you with respect to the merger and the other matters being considered at the UAL and Continental special stockholder meetings. UAL and Continental urge you to read the remainder of this joint proxy statement/prospectus carefully, including the attached Annexes, and the other documents to which we have referred you. See also the section entitled "Where You Can Find More Information" beginning on page 141. We have included page references in this summary to direct you to a more complete description of the topics presented below.*

### **The Companies**

#### **UAL Corporation**

UAL Corporation, a Delaware corporation, serves as the holding company for United Air Lines, Inc. ( "United" ). United, a wholly owned subsidiary of UAL Corporation, is one of the largest international carriers based in the United States. United operates approximately 3,400 flights a day to more than 230 U.S. domestic and international destinations from its hubs in Los Angeles, San Francisco, Denver, Chicago, Washington, D.C. and Tokyo and has key global air rights in the Asia-Pacific region, Europe and Latin America. United also is a founding member of Star Alliance, which overall offers 21,200 daily flights to 1,172 airports in 181 countries through its 28 member airlines. United's 46,000 employees reside in every U.S. state and in many countries around the world.

UAL's common stock is traded on the NASDAQ Global Select Market under the symbol "UAUA".

The principal executive offices of UAL are located at 77 W. Wacker Drive, Chicago, IL 60601 and its telephone number is (312) 997-8000.

#### **Continental Airlines, Inc.**

Continental Airlines, Inc., a Delaware corporation, is the world's fifth largest airline, as measured by the number of scheduled miles flown by revenue passengers in 2009. Continental, together with its wholly owned subsidiary, Continental Micronesia, Inc., and including regional flights operated on Continental's behalf under capacity purchase agreements with other carriers, has more than 2,200 daily departures throughout the Americas, Europe and Asia, serving 117 domestic and 127 international destinations. Continental is also a member of Star Alliance, which overall offers 21,200 daily flights to 1,172 airports in 181 countries through its 28 member airlines. With more than 40,000 employees, Continental has hubs serving New York, Houston, Cleveland and Guam, and together with its regional partners, carries approximately 63 million passengers per year.

Continental's common stock is traded on the New York Stock Exchange under the symbol "CAL".

The principal executive offices of Continental are located at 1600 Smith Street, Dept. HQSEO, Houston, TX 77002 and its telephone number is (713) 324-2950.

#### **JT Merger Sub Inc.**

JT Merger Sub Inc., a wholly owned subsidiary of UAL Corporation, is a Delaware corporation that was formed on April 26, 2010 for the sole purpose of effecting the merger. In the merger, JT Merger Sub Inc. will be merged with and into Continental, with Continental surviving as a wholly owned subsidiary of UAL Corporation.

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### **The Merger**

A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus. UAL and Continental encourage you to read the entire merger agreement carefully because it is the principal document governing the merger. For more information on the merger agreement, see the section entitled "The Merger Agreement" beginning on page 92.

#### **Form of the Merger (see page 38)**

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Merger Sub, a wholly owned subsidiary of UAL formed for the sole purpose of effecting the merger, will be merged with and into Continental. Continental will survive the merger as a wholly owned subsidiary of UAL. Upon completion of the merger, UAL will be the parent company of both Continental and United, and UAL's name will be changed to United Continental Holdings, Inc. ("UCH").

#### **Merger Consideration (see page 92)**

Continental stockholders will have the right to receive 1.05 shares of UAL common stock for each share of Continental common stock they hold at the effective time of the merger (the "exchange ratio"). The exchange ratio is fixed and will not be adjusted for changes in the market value of the common stock of Continental or UAL. As a result, the implied value of the consideration to Continental stockholders will fluctuate between the date of this joint proxy statement/prospectus and the effective date of the merger. Based on the closing price of UAL common stock on the NASDAQ on April 30, 2010, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$22.68 in value for each share of Continental common stock. Based on the closing price of UAL common stock on the NASDAQ on August 16, 2010, the latest practicable trading day before the date of this joint proxy statement/prospectus, the exchange ratio represented approximately \$22.83 in value for each share of Continental common stock.

#### **Material U.S. Federal Income Tax Consequences of the Merger (see page 107)**

As a condition to the completion of the merger, each of Cravath, Swaine & Moore LLP, tax counsel to UAL, and Jones Day, tax counsel to Continental, will have delivered an opinion, dated as of the date this joint proxy statement/prospectus is first filed with the Securities and Exchange Commission (the "SEC") and as of the closing date of the merger, that the merger will be treated for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. A holder of Continental common stock will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Continental common stock for shares of UAL common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of UAL common stock.

The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. The opinions will be based on certain assumptions and representations as to factual matters from UAL and Continental, as well as certain covenants and undertakings by UAL and Continental. If any of the assumptions, representations, covenants or undertakings is incorrect, incomplete, inaccurate or is violated in any material respect, the validity of the conclusions reached by counsel in their opinions would be jeopardized and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus. Neither UAL nor Continental is currently aware of any facts or circumstances that would cause the assumptions, representations covenants and undertakings to be incorrect, incomplete, inaccurate or violated in any material respect.

An opinion of counsel represents such counsel's best legal judgment but is not binding on the Internal Revenue Service (the "IRS") or any court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinion or that a court would not sustain such a challenge.

You should consult your own tax advisor regarding the particular consequences to you of the merger.

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### **Recommendation of the Board of Directors of UAL (see page 45)**

After careful consideration, the UAL board of directors unanimously approved the merger agreement and UAL's amended and restated certificate of incorporation and determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that the adoption of UAL's amended and restated certificate of incorporation is advisable. For more information regarding the factors considered by the UAL board of directors in reaching its decision to approve the merger agreement, to authorize the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and to approve, adopt and declare advisable UAL's amended and restated certificate of incorporation, see the section entitled "The Merger UAL's Reasons for the Merger; Recommendation of the UAL Board of Directors." **The UAL board of directors unanimously recommends that UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL's amended and restated certificate of incorporation at the UAL special meeting.**

### **Recommendation of the Board of Directors of Continental (see page 58)**

After careful consideration, the Continental board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Continental and its stockholders. For more information regarding the factors considered by the Continental board of directors in reaching its decision to approve and adopt the merger agreement and the merger, see the section entitled "The Merger Continental's Reasons for the Merger; Recommendation of the Continental Board of Directors." **The Continental board of directors unanimously recommends that Continental stockholders vote FOR the proposal to adopt the merger agreement at the Continental special meeting.**

### **Opinions of UAL's Financial Advisors (see page 47)**

Each of J.P. Morgan Securities Inc. ( "J.P. Morgan" ) and Goldman, Sachs & Co. ( "Goldman Sachs" ) rendered its opinion to the board of directors of UAL that, as of May 2, 2010 and based upon and subject to the factors and assumptions set forth in their respective written opinions, the exchange ratio of 1.05 shares of UAL common stock to be issued in exchange for each share of Continental common stock pursuant to the merger was fair from a financial point of view to UAL.

The full text of the written opinions of J.P. Morgan and Goldman Sachs, both dated May 2, 2010, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with each opinion, are included in this joint proxy statement/prospectus as Annex B and Annex C, respectively. J.P. Morgan and Goldman Sachs provided their respective opinions for the information and assistance of UAL's board of directors for purposes of its evaluation of the transactions contemplated by the merger agreement. Neither J.P. Morgan's opinion nor Goldman Sachs' opinion constitutes a recommendation to any holder of UAL capital stock as to how any such holder should vote with respect to the proposals to be considered at the UAL special meeting or any other matter. In addition, neither J.P. Morgan nor Goldman Sachs was requested to opine as to, and neither opinion in any manner addresses, UAL's underlying business decision to proceed with or effect the merger.

### **Opinions of Continental's Financial Advisors (see page 61)**

Each of Lazard Frères & Co. LLC ( "Lazard" ) and Morgan Stanley & Co. Incorporated ( "Morgan Stanley" ), rendered its opinion to the board of directors of Continental that, as of May 2, 2010 and based upon and subject

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to the assumptions, procedures, factors, qualifications and limitations set forth in their respective written opinions, the exchange ratio set forth in the merger agreement was fair from a financial point of view to the holders of shares of Continental common stock.

The full text of the written opinions of Lazard and Morgan Stanley, both dated May 2, 2010, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with each opinion, are included in this joint proxy statement/prospectus as Annex D and Annex E, respectively. Lazard and Morgan Stanley provided their respective opinions for the information and assistance of Continental's board of directors for purposes of its evaluation of the transactions contemplated by the merger agreement. Neither Lazard's opinion nor Morgan Stanley's opinion constitutes a recommendation to any holder of Continental common stock as to how any such holder should vote with respect to the proposal to be considered at the Continental special meeting or any other matter. In addition, neither Lazard nor Morgan Stanley was requested to opine as to, and neither opinion in any manner addresses, Continental's underlying business decision to proceed with or effect the merger.

### **Interests of UAL Directors and Executive Officers in the Merger (see page 72)**

Executive officers and members of UAL's board of directors have interests in the merger that may be different from, or in addition to, the interests of UAL stockholders generally. Each of the executive officers of UAL, other than Mr. Tilton, has an agreement with UAL that provides for severance benefits if such executive officer's employment is terminated under certain circumstances following the merger.

In addition, upon completion of the merger, Mr. Tilton will step down as UAL's president and chief executive officer, and he will become non-executive chairman of the board of directors of the combined company. Upon terminating his position as president and chief executive officer, Mr. Tilton is entitled to certain payments and benefits. As described in further detail below under the heading **Board of Directors and Management Following the Merger**, some of UAL's executive officers and members of UAL's board of directors will continue to serve as officers or directors of the combined company upon completion of the merger.

Upon consummation of the merger, performance under the long-term incentive awards held by officers of UAL will be deemed to have been achieved at target as described below under **Treatment of UAL Stock Options and Other Long-Term Incentive Awards**. Officers of UAL who become officers of the combined company are generally not expected to receive any accelerated vesting of any rights or benefits or accelerated payment of such benefits. The executive officers of UAL who are currently anticipated to experience a termination of employment in connection with the completion of the merger are expected to receive additional cash severance payments and other benefits (excluding the value of outstanding incentive awards) ranging from \$3.8 million to \$5.7 million, and the vesting of incentive awards with estimated values ranging from \$2.5 million to \$7.3 million. The foregoing amounts are based on certain assumptions described under **Interests of UAL Directors and Executive Officers in the Merger**.

The UAL board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement and in recommending that you vote to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and to adopt UAL's amended and restated certificate of incorporation.

### **Interests of Continental Directors and Executive Officers in the Merger (see page 78)**

Executive officers and members of Continental's board of directors have interests in the merger that may be different from, or in addition to, the interests of Continental stockholders generally. Continental's executive officers have agreements with Continental that provide for severance benefits if their employment is terminated

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under certain circumstances following a change in control of Continental, such as the merger. In addition, following a change in control of Continental, such as will occur upon completion of the merger, certain of Continental's compensation and benefit plans and arrangements provide for accelerated vesting of certain rights or benefits and accelerated payment of such benefits to its executive officers upon the termination of their employment under certain circumstances following such a change in control.

Additionally, as detailed below under Board of Directors and Management Following the Merger, some of Continental's executive officers and members of Continental's board of directors will continue to serve as officers or directors of the combined company upon completion of the merger. Officers of Continental who become officers of the combined company may receive upon the consummation of the merger reimbursement for excise taxes and, if the officer is eligible for retirement, early payment of outstanding long-term incentive awards. In addition, certain performance targets will be deemed satisfied under outstanding performance awards held by such officers as described below under

Treatment of Continental Stock Options and Other Long-Term Incentive Awards. Such officers are generally not expected to receive any other accelerated vesting of any rights or benefits or accelerated payment of such benefits. The executive officers of Continental who are currently anticipated to experience a termination of employment in connection with the completion of the merger are expected to receive additional cash severance payments and other benefits (excluding the value of outstanding incentive awards) ranging from \$4.2 million to \$4.4 million, the vesting of incentive awards with estimated values ranging from \$4.4 million to \$7.0 million, and reimbursements for excise taxes ranging from \$2.6 million to \$3.7 million. The foregoing amounts are based on certain assumptions described under Interests of Continental Directors and Executive Officers in the Merger Executive Officers.

Restricted stock held by each non-management director of Continental who does not become a director of the combined company will automatically vest upon completion of the merger. Each non-management director holds 2,311 shares of such restricted stock, which was valued at approximately \$50,000 on June 9, 2010, the date of grant.

The Continental board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and in recommending that you vote for the proposal to adopt the merger agreement.

### **Board of Directors and Management Following the Merger (see page 85)**

Immediately following the effective time of the merger, the board of directors of the combined company will consist of sixteen members, including: (i) six of the independent directors of UAL immediately prior to the merger, to be selected by UAL, (ii) six of the independent directors of Continental immediately prior to the merger, to be selected by Continental, (iii) Mr. Tilton (the current chairman of the board, president and chief executive officer of UAL), (iv) Mr. Smisek (the current chairman of the board, president and chief executive officer of Continental), (v) the UAL director immediately prior to the merger who was elected by the holder of the Class Pilot MEC Junior Preferred Stock and (vi) the UAL director immediately prior to the merger who was elected by the holder of the Class IAM Junior Preferred Stock. As of the date of this joint proxy statement/prospectus, neither UAL nor Continental has made a determination as to which independent directors to appoint to the board of directors of the combined company. The fees and/or other remuneration to be provided to the non-employee directors of the combined company have not been determined.

Upon completion of the merger, Mr. Tilton will serve as non-executive chairman of the board of directors of the combined company through December 31, 2012 or the second anniversary of the closing of the merger, whichever is later, and Mr. Smisek will serve as the chief executive officer of the combined company. Mr. Smisek will also become executive chairman of the board of directors of the combined company upon Mr. Tilton's ceasing to be non-executive chairman. The combined company's executive management team is expected to include Zane Rowe of Continental as chief financial officer, Peter McDonald of UAL as chief

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operating officer, Thomas Sabatino of UAL as general counsel, James Compton of Continental as chief marketing officer, Keith Halbert of UAL as chief information officer, Michael Bonds of Continental to lead human resources and labor relations, Jeff Foland of UAL to lead the combined airline's loyalty program and Irene Foxhall of Continental to oversee communications and government affairs.

The Integration Steering Committee is led by Mr. Tilton and Mr. Smisek and includes Mr. McDonald, UAL's executive vice president and chief administrative officer, Kathryn Mikells, UAL's executive vice president and chief financial officer, Mr. Compton, Continental's executive vice president and chief marketing officer, and Mr. Rowe, Continental's executive vice president and chief financial officer. The Integration Steering Committee will be focused on defining the process for integrating UAL and Continental.

### **Treatment of UAL Stock Options and Other Long-Term Incentive Awards (see page 87)**

The board of directors of UAL has determined that the merger should be considered a change of control for purposes of UAL's 2008 Incentive Compensation Plan (the "ICP"). In addition, the Human Resources Subcommittee of the UAL board of directors amended the terms of all outstanding equity-based awards granted under the 2006 Management Equity Incentive Plan (the "MEIP") to provide that, except in certain circumstances outlined below, such awards will become immediately vested in full upon completion of the merger. As a result, except as set forth below, upon completion of the merger, all outstanding equity-based awards granted under the ICP and the MEIP will become immediately vested in full, and all outstanding long-term cash incentive awards will be deemed to have been achieved at target and will be paid out on a prorated basis.

Mr. Tilton has waived all accelerated vesting of his equity-based awards and the vesting of such awards will continue to be based on his service as non-executive chairman of the board of the combined company following completion of the merger. Furthermore, in consideration for the protections provided under the Management Retention Agreements with many of UAL's other officers (including all of UAL's executive officers other than Mr. Tilton), such officers have waived their rights to accelerated vesting of all their outstanding long-term incentive awards upon completion of the merger. Instead, stock options, restricted shares, restricted stock units and long-term cash incentive awards held by these officers will remain unvested upon completion of the merger and will vest following the merger only if the officer remains employed by the combined company through the applicable vesting date or if the officer's employment is terminated by the combined company without cause or by the officer for good reason (each, as defined in the Management Retention Agreements). Further, with respect to officers who are party to Management Retention Agreements, upon the completion of the merger, (1) restricted shares and restricted stock units will be converted into a fixed amount in cash based on the average closing price of UAL common stock for the 20 trading days preceding the completion of the merger and (2) performance under the long-term cash incentive awards will be deemed to have been achieved at the target level and will be paid in full upon vesting, rather than on a prorated basis.

### **Treatment of Continental Stock Options and Other Long-Term Incentive Awards (see page 88)**

*Stock Options and Restricted Stock.* Upon completion of the merger, (i) each outstanding option to purchase shares of Continental common stock and (ii) all Continental restricted shares granted to non-management members of the board of directors of Continental will be converted pursuant to the merger agreement into, respectively, (x) a stock option to purchase shares of UAL common stock and (y) restricted common stock of UAL on the same terms and conditions as were in effect immediately prior to the completion of the merger based on the exchange ratio. Outstanding stock options granted under the Continental Incentive Plan 2000, the Continental 1998 Stock Incentive Plan, and the Continental 1997 Stock Incentive Plan will vest in full upon completion of the merger.

*LTIP Awards and Profit Based RSUs.* Upon completion of the merger, for each performance period that began prior to the effective date of the merger and that is still open on such date, (i) the outstanding Continental long-term incentive plan ("LTIP") awards will be deemed satisfied at the stretch performance level, and (ii) the



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Continental Profit Based RSU performance targets will be deemed satisfied at the higher of 150% and actual performance. These awards will remain subject to continued employment by the participant and continue to be paid on the normal payment date unless the payment is accelerated upon the participant's (x) termination of employment under certain circumstances following the merger or (y) retirement eligibility.

*2004 Employee Stock Purchase Plan.* At the effective time of the merger, the Continental 2004 Employee Stock Purchase Plan will terminate and any shares of Continental common stock purchased thereunder will be converted into shares of UAL common stock based on the exchange ratio.

### **Regulatory Clearances Required for the Merger (see page 86)**

UAL and Continental have each agreed to take actions in order to obtain regulatory clearance required to consummate the merger. Regulatory clearance includes expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and the rules and regulations promulgated thereunder (the HSR Act), following required notifications and review by the Antitrust Division of the U.S. Department of Justice (the Antitrust Division). On May 7, 2010, each of UAL and Continental filed its notification under the HSR Act. On June 7, 2010, the waiting period under the HSR Act was extended by the Antitrust Division's issuance of a request for additional information and documentary material (a Second Request). The parties are responding to the Second Request and currently expect the closing of the merger to occur in the fourth quarter of 2010. UAL and Continental filed a merger notification with the European Commission on June 21, 2010. On July 27, 2010, the European Commission approved the merger.

UAL and Continental have also filed notifications with competition authorities in Canada, Brazil, Mexico, Russia and Japan. On July 2, 2010, the Canadian Competition Bureau issued a No-Action Letter. On July 30, 2010, the Russian Competition Authority approved the merger. In addition, in order to complete the merger, UAL and Continental must obtain approvals or authorizations from various federal, state and local regulatory and transportation agencies, including the U.S. Department of Transportation (the DOT) and the Federal Aviation Administration (the FAA), as well as certain foreign regulatory authorities, except where the failure to obtain any such approval or authorization will not reasonably be expected to have a material adverse effect on either UAL or Continental. While UAL and Continental expect to obtain all required regulatory clearances, we cannot assure you that these regulatory clearances will be obtained or that the granting of these regulatory clearances will not involve the imposition of additional conditions on the completion of the merger, including the requirement to divest assets, or require changes to the terms of the merger agreement. These conditions or changes could result in the conditions to the merger not being satisfied.

### **Amended and Restated Certificate of Incorporation of UAL (see page 71)**

The UAL board of directors has approved, subject to stockholder approval and completion of the merger, an amended and restated certificate of incorporation to (i) change UAL's name to United Continental Holdings, Inc., (ii) provide that the board of directors may not amend, alter or repeal the sections of the bylaws relating to (1) Mr. Tilton's service as non-executive chairman of the board and Mr. Smisek's service as chief executive officer until the later of December 31, 2012 and two years after the effective date of the merger and (2) Mr. Smisek's succession to Mr. Tilton as chairman of the board of the combined company and (iii) provide for the indemnification of employees (other than officers) and agents of the combined company to the extent permitted by Delaware law and at the sole discretion of any of the chief executive officer, the president, the chief financial officer or the general counsel of the combined company. The form of amended and restated certificate of incorporation is included in this joint proxy statement/prospectus as Annex F. The adoption of the amended and restated certificate of incorporation is a condition to completion of the merger. In the event this proposal is approved by UAL stockholders, but the merger is not completed, the amended and restated certificate of incorporation will not become effective.

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UAL's restated certificate of incorporation currently contains a 5% ownership limitation provision to protect UAL's ability to utilize its NOL carryforwards for federal income tax purposes. This 5% ownership limitation provision provides that, prior to February 1, 2014 or such later date as may be approved by UAL's board of directors (or earlier in certain circumstances), any attempted transfer of UAL's common stock (i) by or to any person or group holding shares representing 5% or more of UAL's outstanding common stock (a 5% stockholder) or (ii) to any person or group to the extent that, as a result of such transfer, such person or group would become a 5% stockholder of UAL without the advance written approval of UAL's board of directors, shall be prohibited and void. Upon completion of the merger, the amended and restated certificate of incorporation of the combined company will also contain this 5% ownership limitation provision. Holders of Continental common stock are not currently subject to any similar type of limitation.

### **Expected Timing of the Merger**

UAL and Continental currently expect the closing of the merger to occur in the fourth quarter of 2010. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions as described in the merger agreement, and it is possible that factors outside the control of UAL and Continental could result in the merger being completed at an earlier time, a later time or not at all.

### **Conditions to Completion of the Merger (see page 102)**

The obligations of UAL and Continental to complete the merger are subject to the satisfaction of the following conditions:

adoption of the merger agreement by holders of a majority of the outstanding shares of Continental common stock entitled to vote thereon;

approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger by holders of a majority of the outstanding shares of UAL capital stock present in person or represented by proxy and entitled to vote at the UAL special meeting;

adoption of UAL's amended and restated certificate of incorporation by holders of a majority of the outstanding shares of UAL capital stock entitled to vote thereon;

authorization of the listing on the NASDAQ or the NYSE, as reasonably agreed upon by UAL and Continental, of the shares of UAL common stock to be issued to Continental stockholders pursuant to the merger, subject to official notice of issuance;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose;

absence of any order, injunction, decree, statute, rule or regulation by a court or other governmental entity that makes illegal or prohibits the consummation of the merger or the other transactions contemplated by the merger agreement;

the waiting period (and any extension thereof) applicable to the merger under the HSR Act having expired or been earlier terminated;

any approvals required to be obtained under any foreign antitrust laws having been obtained (except for any approvals the failure of which to obtain would not reasonably be expected to have a material adverse effect on UAL or Continental); and

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all approvals and authorizations required to be obtained from U.S. regulatory authorities, including the FAA and DOT, having been obtained (except for any approvals or authorizations the failure of which to obtain would not reasonably be expected to have a material adverse effect on UAL or Continental).

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In addition, each of UAL's and Continental's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of each party, other than the representations related to the shares of capital stock issued and outstanding or reserved for issuance, the absence of any outstanding voting debt and the non-occurrence of any event or development having a material adverse effect on the other party since March 31, 2010, will be true and correct (without giving effect to any materiality qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the effective time of the merger (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such specified date), provided that such representations will be deemed to be true unless the individual or aggregate impact of the failure of such representations to be true would have had, would have or would reasonably be expected to have a material adverse effect on the other party;

the representations and warranties of each party relating to the shares of capital stock issued and outstanding or reserved for issuance and the absence of any outstanding voting debt will be true and correct in all material respects as of the date of the merger agreement and as of the effective time of the merger (except to the extent such representations or warranties were made as of an earlier date, in which case, as of such earlier date);

the representation and warranty of each party relating to the non-occurrence of any event or development having a material adverse effect on the other party since March 31, 2010, will be true and correct as of the date of the merger agreement and as of the effective time of the merger;

each party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the effective time of the merger;

receipt of a certificate executed by each party's chief executive officer and chief financial officer as to the satisfaction of the conditions described in the preceding four bullet points; and

receipt of a tax opinion from each party's tax counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code.

**No Solicitation of Alternative Proposals (see page 96)**

The merger agreement precludes UAL and Continental from soliciting or engaging in discussions or negotiations with a third party with respect to a proposal for a competing transaction, including the acquisition of a significant interest in UAL's or Continental's common stock or assets. However, if UAL or Continental receives an unsolicited proposal from a third party for a competing transaction that UAL's or Continental's board of directors, as applicable, among other things, determines in good faith (after consultation with its legal and financial advisors) (i) is reasonably likely to lead to a proposal that is superior to the merger and (ii) the failure to enter discussions regarding such proposal would be a breach of its fiduciary obligations under applicable law, UAL or Continental, as applicable, may furnish non-public information to and enter into discussions with, and only with, that third party regarding such competing transaction.

**Termination of the Merger Agreement (see page 103)**

UAL and Continental may mutually agree to terminate the merger agreement at any time. Either company may also terminate the merger agreement if the merger is not consummated by December 31, 2010, subject to extension by mutual agreement of the parties or in the event that certain regulatory clearances have not yet been obtained, provided that in no event shall such extension be to a date that is later than September 30, 2011. See the section entitled "The Merger Agreement Termination of the Merger Agreement" for a discussion of these and other rights of each of UAL and Continental to terminate the merger agreement.



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### **Termination Fees and Expenses (see page 104)**

Generally, all fees and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement/prospectus where UAL or Continental, as the case may be, may be required to pay a termination fee of \$175 million. See the section entitled "The Merger Agreement - Termination Fees and Expenses" for a discussion of the circumstances under which such termination fee will be required to be paid.

### **Accounting Treatment (see page 110)**

UAL prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which is referred to as GAAP. The merger will be accounted for using the acquisition method of accounting. UAL will be treated as the acquirer for accounting purposes.

### **ShareGift USA's Charitable Donation Program (see page 111)**

Continental has made arrangements to enable Continental stockholders to donate some or all of the merger consideration to be received by them upon consummation of the merger to ShareGift USA.

ShareGift USA is a nonprofit charity recognized as exempt from tax by IRS under Section 501(c)(3) of the Code that will distribute the merger consideration donated by Continental stockholders (or the proceeds from the sale of any donated merger consideration) to a variety of recognized U.S. charities. ShareGift USA will aggregate all donations from Continental stockholders and distribute them to charitable institutions.

If you are a Continental stockholder and a U.S. taxable investor, you may be eligible for a tax deduction should you choose to participate in ShareGift USA's program. Please consult your tax advisor accordingly.

### **No Appraisal Rights (see page 136)**

Under Delaware law, neither the holders of shares of UAL common stock nor the holders of shares of Continental common stock are entitled to appraisal rights in connection with the merger.

### **Comparison of Stockholder Rights and Corporate Governance Matters (see page 122)**

Continental stockholders receiving merger consideration will have different rights once they become stockholders of the combined company due to differences between the governing corporate documents of Continental and the proposed governing corporate documents of the combined company. These differences are described in detail under the section entitled "Comparison of Rights of UCH and Continental Stockholders."

### **Listing of Shares of UAL Common Stock; Delisting and Deregistration of Shares of Continental Common Stock (see page 89)**

It is a condition to the completion of the merger that the shares of UAL common stock to be issued to Continental stockholders pursuant to the merger be authorized for listing on the NYSE or NASDAQ, as reasonably agreed upon by UAL and Continental, at the effective time of the merger. Upon completion of the merger, shares of Continental common stock currently listed on the NYSE will cease to be listed on the NYSE and will be subsequently deregistered under the Exchange Act.

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**The Meetings**

**The UAL Special Meeting (see page 29)**

The special meeting of UAL stockholders will be held at the United Airlines Education and Training Center, 1200 East Algonquin Road, Elk Grove Village, Illinois, on September 17, 2010, at 10:00 a.m., local time. The special meeting of UAL stockholders is being held to consider and vote on:

the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger;

the proposal to adopt UAL's amended and restated certificate of incorporation; and

the proposal to adjourn the UAL special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve each of the foregoing proposals.

Completion of the merger is conditioned on approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation.

Only holders of record of UAL capital stock at the close of business on August 12, 2010, the record date for the UAL special meeting, are entitled to receive notice of, and to vote at, the UAL special meeting or any adjournments or postponements thereof. At the close of business on the record date, 168,452,800 shares of UAL capital stock were issued and outstanding, approximately 0.11% of which were owned and entitled to be voted by UAL directors and executive officers and their affiliates. We currently expect that UAL's directors and executive officers will vote their shares in favor of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, although none of them has entered into any agreement obligating them to do so.

You may cast one vote for each share of UAL capital stock you own. The proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock present in person or represented by proxy and entitled to vote on the proposal. The proposal to adopt UAL's amended and restated certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock entitled to vote on the proposal. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the proposal for the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger or the proposal to adopt UAL's amended and restated certificate of incorporation, the holders of a majority of the shares entitled to vote and present in person or by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**The Continental Special Meeting (see page 34)**

The special meeting of Continental stockholders is scheduled to be held at The Crowne Plaza Hotel, 1700 Smith Street, Houston, Texas on September 17, 2010 at 10:00 a.m., local time. The special meeting of Continental's stockholders is being held in order to consider and vote on:

the proposal to adopt the merger agreement, which is further described in the sections titled "The Merger" and "The Merger Agreement," beginning on pages 38 and 92, respectively; and

the proposal to adjourn the Continental special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal.





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Only holders of record of Continental common stock at the close of business on August 12, 2010, the record date for the Continental special meeting, are entitled to notice of, and to vote at, the Continental special meeting or any adjournments or postponements thereof. At the close of business on the record date, 140,557,171 shares of Continental common stock were issued and outstanding, approximately 0.05% of which were held by Continental's directors and executive officers. We currently expect that Continental's directors and executive officers will vote their shares in favor of the merger proposal, although no director or executive officer has entered into any agreement obligating him or her to do so.

You may cast one vote for each share of Continental common stock you own. The proposal to adopt the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Continental common stock entitled to vote on the proposal. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the proposal to adopt the merger agreement, the Continental stockholders, by a majority of the votes cast at the meeting by the holders of Continental common stock entitled to vote and present in person or by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

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**Summary Historical Consolidated Financial Data**

**Summary Consolidated Historical Financial Data of UAL**

The following statement of operations data for the years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 31, 2009 and 2008 have been derived from the audited consolidated financial statements of UAL contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which are incorporated into this document by reference. The statement of operations data for the eleven month period ended December 31, 2006, the one month period ended January 31, 2006 and the year ended December 31, 2005, and the balance sheet data as of December 31, 2007, 2006 and 2005 have been derived from UAL's audited consolidated financial statements for such periods, which have not been incorporated into this document by reference. The balance sheet data as of January 31, 2006 have been derived from the notes to UAL's audited consolidated financial statements for the year ended December 31, 2006, which have not been incorporated into this document by reference.

The statement of operations data for the six months ended June 30, 2010 and 2009, and the balance sheet data as of June 30, 2010 have been derived from UAL's unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which are incorporated into this document by reference. The balance sheet data as of June 30, 2009 has been derived from UAL's unaudited consolidated financial statements for such period, which have not been incorporated into this document by reference. These financial statements are unaudited, but, in the opinion of UAL's management, contain all adjustments necessary to present fairly UAL's financial position, results of operations and cash flows for the periods indicated.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes and management's discussion and analysis of financial condition and results of operations of UAL contained in such reports.

Upon emergence from Chapter 11, UAL adopted fresh start reporting in accordance with accounting principles related to reorganizations. The adoption of fresh start reporting resulted in UAL becoming a new entity for financial reporting purposes. Accordingly, UAL's Consolidated Financial Statements on or after February 1, 2006 are not comparable to UAL's Consolidated Financial Statements prior to that date. References to Successor Company refer to UAL on or after February 1, 2006, after giving effect to the adoption of fresh start reporting. References to Predecessor Company refer to UAL prior to February 1, 2006.

During the first quarter of 2010, UAL increased its estimate of the number of frequent flyer miles expected to expire, which UAL refers to as breakage. In conjunction with this change in estimate, UAL also adopted a change to the accounting methodology used to recognize breakage of frequent flyer miles. Both the change in estimate and methodology have been applied prospectively effective January 1, 2010. The new accounting method recognizes breakage as a component of the weighted average redemption rate on actual redemptions as compared to our prior method which recognized a pool of breakage dollars over an estimated redemption period. UAL's management believes that this is a preferable change to the accounting methodology for breakage because breakage will be recognized as a component of the rate at which actual miles are redeemed.

**Table of Contents****Statement of Operations Data of UAL**

(In millions, except per share data)

	Successor Six Months Ended June 30,		Successor Year Ended December 31,			Period from February 1 to December 31, 2006	Predecessor Period from January 1 to January 31, 2006		Year Ended December 31, 2005
	2010	2009	2009	2008	2007		2006	2005	
Operating revenues	\$ 9,402	\$ 7,709	\$ 16,335	\$ 20,194	\$ 20,143	\$ 17,882	\$ 1,458	\$ 17,379	
Operating expenses	8,899	7,884	16,496	24,632	19,106	17,383	1,510	17,598	
Operating income (loss)	503	(175)	(161)	(4,438)	1,037	499	(52)	(219)	
Net income (loss) (1)	191	(354)	(651)	(5,396)	360	7	22,851	(21,176)	
Basic earnings (loss) per share	1.14	(2.44)	(4.32)	(42.59)	2.94	(0.02)	196.61	(182.29)	
Diluted earnings (loss) per share	0.96	(2.44)	(4.32)	(42.59)	2.65	(0.02)	196.61	(182.29)	
Cash distribution declared per common share					2.15				

(1) Includes the following special income (expense) items:

Operating revenue increase (decrease):								
Mileage Plus policy change	\$	\$	\$	\$	\$ 246	\$	\$	\$
Special items					45			
Operating (expense) income:								
Goodwill impairment				(2,277)				
Intangible asset impairments		(150)	(150)	(64)				
Aircraft and related impairments	(90)		(93)	(250)				(18)
Other special (expense) income	(6)	(57)	(131)	(25)	44	36		
Merger-related costs	(28)							
Severance	1	(1)	(33)	(106)				
Employee benefit obligation adjustment		33	35	(57)				
Litigation-related settlement gain				29				
Charges related to terminated/ deferred projects				(26)				
Net gain (loss) on asset sales	(10)		11	3				
Accelerated depreciation from early asset retirements	(9)	(32)	(48)	(34)				
Operating non-cash fuel hedge gain (loss)	(6)	496	586	(568)	20	(2)		
Other (expense) income items:								
Nonoperating non-cash fuel hedge gain (loss)		207	279	(279)				
Reorganization (loss) gain							22,934	(20,601)
Tax benefit related to specials	1	42	21	31				

**Table of Contents****Balance Sheet Data of UAL**

(In millions)

	As of June 30,		Successor				Predecessor	
	2010	2009	2009	2008	2007	2006	As of January 31, 2006	As of December 31, 2005
Unrestricted cash, cash equivalents and short-term investments	\$ 4,906	\$ 2,566	\$ 3,042	\$ 2,039	\$ 3,554	\$ 4,144	\$ 1,706	\$ 1,838
Total assets	20,134	18,806	18,684	19,465	24,223	25,372	19,555	19,342
Long-term debt and capital lease obligations, excluding current portion	7,295	6,801	7,572	7,054	7,327	8,567	1,399	1,400
Liabilities subject to compromise							36,336	35,016
Shareholders' equity (deficit)	(2,756)	(2,629)	(2,811)	(2,321)	2,610	2,383	(2,709)	(25,560)

**Summary Consolidated Historical Financial Data of Continental**

The following statement of operations data for the years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 31, 2009 and 2008 have been derived from the audited consolidated financial statements of Continental contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which are incorporated into this document by reference. The statement of operations data for the years ended December 31, 2006 and 2005 and the balance sheet data as of December 31, 2007, 2006 and 2005 have been derived from Continental's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The statement of operations data for the six months ended June 30, 2010 and 2009 and the balance sheet data as of June 30, 2010 and 2009 have been derived from Continental's unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which is incorporated into this document by reference. These financial statements are unaudited, but, in the opinion of Continental's management, contain all adjustments necessary to present fairly Continental's financial position, results of operations and cash flows for the period indicated.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes and management's discussion and analysis of financial condition and results of operations of Continental contained in such reports.

**Table of Contents****Statement of Operations Data of Continental**

(In millions, except per share data)

	Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Operating revenue	\$ 6,877	\$ 6,087	\$ 12,586	\$ 15,241	\$ 14,232	\$ 13,128	\$ 11,208
Operating expenses	6,599	6,295	12,732	15,555	13,545	12,660	11,247
Operating income (loss)	278	(208)	(146)	(314)	687	468	(39)
Income (loss) before cumulative effect of change in accounting principle	87	(349)	(282)	(586)	439	361	(75)
Cumulative effect of change in accounting principle						(26)	
Net income (loss) (1)	87	(349)	(282)	(586)	439	335	(75)
<b>Earnings (loss) per share:</b>							
<b>Basic:</b>							
Income (loss) before cumulative effect of change in accounting principle	\$ 0.62	\$ (2.82)	\$ (2.18)	\$ (5.54)	\$ 4.53	\$ 4.05	\$ (1.06)
Cumulative effect of change in accounting principle						(0.29)	
Net income (loss)	\$ 0.62	\$ (2.82)	\$ (2.18)	\$ (5.54)	\$ 4.53	\$ 3.76	\$ (1.06)
<b>Diluted:</b>							
Income (loss) before cumulative effect of change in accounting principle	\$ 0.60	\$ (2.82)	\$ (2.18)	\$ (5.54)	\$ 4.05	\$ 3.51	\$ (1.08)
Cumulative effect of change in accounting principle						(0.23)	
Net income (loss)	\$ 0.60	\$ (2.82)	\$ (2.18)	\$ (5.54)	\$ 4.05	\$ 3.28	\$ (1.08)

(1) Includes the following special income (expense) items:

<b>Operating (expense) income:</b>							
Aircraft-related charges	\$ (6)	\$ (47)	\$ (89)	\$ (40)	\$ 22	\$ 18	\$ 16
Pension settlement/curtailment charges			(29)	(52)	(31)	(59)	(83)
Severance	(2)		(5)	(34)			
Route impairment			(12)	(18)			
Other	(8)	(1)	(10)	(37)	(4)	14	
Merger-related costs	(18)						
<b>Other special (expense) income items:</b>							
Gains on sale of investments				78	37	92	204
Loss on fuel hedge contracts with Lehman Brothers				(125)			
Other-than-temporary impairment of auction rate securities				(60)			
Fair value of auction rate securities put right received				26			
<b>Income tax benefit (expense):</b>							

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Intraperiod tax allocation	158		
NOL utilization		28	(114)
Cumulative effect of change in accounting principle			(26)

**Table of Contents****Balance Sheet Data of Continental**

(In millions)

	As of June 30,		As of December 31,				
	2010	2009	2009	2008	2007	2006	2005
Unrestricted cash, cash equivalents and short-term investments	\$ 3,504	\$ 2,768	\$ 2,856	\$ 2,643	\$ 2,803	\$ 2,484	\$ 1,957
Total assets	13,599	12,662	12,781	12,686	12,105	11,308	10,529
Long-term debt and capital lease obligations, excluding current portion	4,912	4,963	5,291	5,353	4,337	4,820	5,010
Stockholders' equity	724	236	590	123	1,569	386	273

**Summary Unaudited Pro Forma Condensed Combined Financial Information of UAL and Continental**

The following table presents selected unaudited pro forma combined financial information about UAL's consolidated balance sheet and statements of operations, after giving effect to the merger with Continental. The information under "Statement of Operations Data" in the table below gives effect to the merger as if it had been consummated on January 1, 2009, the beginning of the earliest period presented. The information under "Balance Sheet Data" in the table below assumes the merger had been consummated on June 30, 2010. This unaudited pro forma combined financial information was prepared using the acquisition method of accounting with UAL considered the acquirer of Continental. See "Accounting Treatment" on page 110.

In addition, the unaudited pro forma combined financial information includes adjustments which are preliminary and may be revised. There can be no assurance that such revisions will not result in material changes. The unaudited pro forma combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined company.

The information presented below should be read in conjunction with the historical consolidated financial statements of UAL and Continental, including the related notes, filed by each of them with the SEC, and with the pro forma condensed combined financial statements of UAL and Continental, including the related notes, appearing elsewhere in this document. See "Where You Can Find More Information" beginning on page 141 and "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 112. The unaudited pro forma condensed combined financial data are not necessarily indicative of results that actually would have occurred or that may occur in the future had the merger been completed on the dates indicated.

**Statement of Operations Data**

(in millions, except per share data)	Six Months Ended June 30, 2010	Year Ended December 31, 2009
Operating revenue	\$ 16,316	\$ 28,629
Operating expenses	15,323	28,538
Earnings from operations	993	91
Income (loss) before income taxes and equity in earnings of affiliates	500	(695)
Income tax benefit		49
Net income (loss)	501	(642)
Earnings (loss) per share:		
Basic	1.59	(2.24)
Diluted	1.38	(2.24)

**Balance Sheet Data**

(in millions)	June 30, 2010
Unrestricted cash, cash equivalents and short-term investments	\$ 8,423
Total assets	38,131

Long-term debt and capital lease obligations, excluding current portion	12,102
Stockholders' equity	450



**Table of Contents****Unaudited Comparative Per Share Data**

Presented below are UAL's and Continental's historical per share data for the six months ended June 30, 2010 and the year ended December 31, 2009 and unaudited pro forma combined per share data for the six months ended June 30, 2010 and the year ended December 31, 2009. This information should be read together with the consolidated financial statements and related notes of UAL and Continental that are incorporated by reference in this document and with the unaudited pro forma combined financial data included under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 112. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined company. The historical book value per share is computed by dividing total stockholders' equity (deficit) by the number of shares of common stock outstanding at the end of the period. The pro forma income (loss) per share of the combined company is computed by dividing the pro forma income (loss) by the pro forma weighted average number of shares outstanding. The pro forma book value per share of the combined company is computed by dividing total pro forma stockholders' equity by the pro forma number of shares of common stock outstanding at the end of the period.

<b>UAL Historical</b>	<b>Six Months Ended June 30, 2010</b>	<b>Year Ended December 31, 2009</b>
Earnings (loss) per share:		
Basic	\$ 1.14	\$ (4.32)
Diluted	\$ 0.96	\$ (4.32)
Book value per share of common stock	\$ (16.37)	\$ (16.77)

<b>Continental Historical</b>	<b>Six Months Ended June 30, 2010</b>	<b>Year Ended December 31, 2009</b>
Earnings (loss) per share:		
Basic	\$ 0.62	\$ (2.18)
Diluted	\$ 0.60	\$ (2.18)
Book value per share of common stock	\$ 5.17	\$ 4.26

<b>UAL unaudited pro forma combined amounts</b>	<b>Six Months Ended June 30, 2010</b>	<b>Year Ended December 31, 2009</b>
Earnings (loss) per share:		
Basic	\$ 1.59	\$ (2.24)
Diluted	\$ 1.38	\$ (2.24)
Pro forma book value per share of common stock	\$ 1.43	(a)

<b>Continental unaudited pro forma equivalent per share data (b)</b>	<b>Six Months Ended June 30, 2010</b>	<b>Year Ended December 31, 2009</b>
Earnings (loss) per share:		
Basic	\$ 1.67	\$ (2.35)
Diluted	\$ 1.45	\$ (2.35)
Pro forma book value per share of common stock	\$ 1.50	(a)

(a) Not applicable.

(b) The Continental unaudited pro forma equivalent per share financial information is computed by multiplying the UAL unaudited pro forma combined amounts by the exchange ratio (1.05 shares of UAL common stock for each share of Continental common stock) so that the per share amounts are equated to the respective values for one share of Continental common stock.



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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect UAL's and Continental's current beliefs, expectations or intentions regarding future events. Words such as may, will, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pursue, and other similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, UAL's and Continental's expectations with respect to the synergies, costs and other anticipated financial impacts of the proposed transaction; future financial and operating results of the combined company; the combined company's plans, objectives, expectations and intentions with respect to future operations and services; approval of the proposed transaction by stockholders and by governmental regulatory authorities; the satisfaction of the closing conditions to the proposed transaction; and the timing of the completion of the proposed transaction.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of UAL and Continental and are difficult to predict. These risks and uncertainties also include those set forth under Risk Factors, beginning on page 20, as well as, among others, risks and uncertainties relating to:

the possibility that the proposed transaction is delayed or does not close, including due to the failure to receive required stockholder approvals or regulatory clearances;

the taking of governmental action (including the passage of legislation) to block the transaction, or the failure of other closing conditions;

the possibility that the expected synergies will not be realized, or will not be realized within the expected time period;

significant volatility in the cost of aircraft fuel;

the high leverage and other significant capital commitments of UAL and Continental;

the ability to obtain financing and to refinance the combined company's debt;

the ability of UAL and Continental to maintain and utilize their net operating losses;

the impact of labor relations, global economic conditions, fluctuations in exchange rates, competitive actions taken by other airlines, terrorist attacks, natural disasters, or difficulties in integrating the two airlines;

the willingness of customers to travel by air;

actions taken or conditions imposed by the U.S. and foreign governments or other regulatory matters;

excessive taxation;

further industry consolidation and changes in airlines alliances;

the availability and cost of insurance; and

public health threats.

UAL and Continental caution that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in UAL's and Continental's most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other SEC filings. All subsequent written and oral forward-looking statements concerning UAL, Continental, the proposed transaction or other matters and attributable to UAL or Continental or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Neither UAL nor Continental undertakes any obligation to update publicly any of these forward-looking statements to reflect events or circumstances that may arise after the date hereof.

**Table of Contents****RISK FACTORS**

*In addition to the other information included and incorporated by reference in this joint proxy statement/prospectus, including the matters addressed in the section entitled **Special Note Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the proposal to adopt the merger agreement, in the case of Continental stockholders, or for the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the proposal to adopt UAL's amended and restated certificate of incorporation, in the case of UAL stockholders. In addition, you should read and consider the risks associated with each of the businesses of UAL and Continental because these risks will also affect the combined company. These risks can be found in the Annual Reports on Form 10-K for the fiscal year ended December 31, 2009, and any amendments thereto, for each of UAL and Continental, as such risks may be updated or supplemented in each company's subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, which are incorporated by reference into this joint proxy statement/prospectus. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference in this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 141.*

**Risk Factors Relating to the Merger**

***The exchange ratio is fixed and will not be adjusted in the event of any change in either UAL's or Continental's stock price.***

Upon closing of the merger, each share of Continental common stock will be converted into the right to receive 1.05 shares of UAL common stock. This exchange ratio will not be adjusted for changes in the market price of either UAL common stock or Continental common stock between the date of signing the merger agreement and completion of the merger. Changes in the price of UAL common stock prior to the merger will affect the value of UAL common stock that Continental common stockholders will receive on the date of the merger. The exchange ratio will be adjusted appropriately to fully reflect the effect of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination, exchange of shares or other similar event with respect to the shares of either UAL common stock or Continental common stock prior to the closing of the merger.

The prices of UAL common stock and Continental common stock at the closing of the merger may vary from their prices on the date the merger agreement was executed, on the date of this joint proxy statement/prospectus and on the date of each stockholder meeting. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of UAL common stock during the period from April 30, 2010, the last trading day before public announcement of the merger, through August 16, 2010, the latest practicable trading date before the date of this joint proxy statement/prospectus, the exchange ratio represented a value ranging from a high of \$25.46 to a low of \$18.60 for each share of Continental common stock.

These variations could result from changes in the business, operations or prospects of UAL or Continental prior to or following the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of UAL or Continental. We will likely complete the merger a considerable period after the date of both the UAL special meeting and the Continental special meeting. Therefore, at the time of the special stockholders meetings, Continental stockholders will not know with certainty the value of the shares of UAL common stock that they will receive upon completion of the merger.

***The merger is subject to the receipt of consents and clearances from domestic and foreign regulatory authorities that may impose conditions that could have an adverse effect on UAL, Continental or the combined company or, if not obtained, could prevent completion of the merger.***

Before the merger may be completed, applicable waiting periods must expire or terminate under antitrust and competition laws and various approvals or consents must be obtained from regulatory entities. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider the effect of

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the merger on competition within their relevant jurisdiction. The terms and conditions of the approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business. The merger agreement may require UAL and/or Continental to comply with conditions imposed by regulatory entities and, in certain circumstances, either company may refuse to close the merger on the basis of those regulatory conditions. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the merger or imposing additional material costs on or materially limiting the revenues of the combined company following the merger. In addition, neither UAL nor Continental can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. For a more detailed description of the regulatory review process, see the section entitled "The Merger Regulatory Clearances Required for the Merger" beginning on page 86.

*Any delay in completing the merger may reduce or eliminate the benefits expected to be achieved thereunder.*

In addition to the required regulatory clearances, the merger is subject to a number of other conditions beyond UAL's and Continental's control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied. Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause the combined company not to realize some or all of the synergies that we expect to achieve if the merger is successfully completed within its expected time frame. See "The Merger Agreement Conditions to Completion of the Merger" beginning on page 102.

*Uncertainties associated with the merger may cause a loss of management personnel and other key employees which could adversely affect the future business and operations of the combined company.*

UAL and Continental are dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. The combined company's success after the merger will depend in part upon the ability of UAL and Continental to retain key management personnel and other key employees. Current and prospective employees of UAL and Continental may experience uncertainty about their roles within the combined company following the merger, which may have an adverse effect on the ability of each of UAL and Continental to attract or retain key management and other key personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of UAL and Continental to the same extent that UAL and Continental have previously been able to attract or retain their own employees.

*Several lawsuits have been filed against UAL and Continental challenging the merger and an adverse ruling may prevent the merger from being completed.*

UAL and Continental, as well as the members of Continental's board of directors, were named as defendants in several lawsuits brought by Continental stockholders, which were subsequently consolidated into a single action, challenging the proposed merger and seeking, among other things, injunctive relief to enjoin the defendants from completing the merger on the agreed-upon terms. The parties to this action have reached an agreement in principle regarding settlement of the case. Under the terms the settlement, plaintiffs agree to dismiss the action with prejudice and release defendants from all claims related to the merger or any disclosures made in connection therewith. In exchange, defendants have agreed to provide, and have provided, additional disclosures in this joint proxy statement/prospectus.

UAL and Continental have also been named as defendants in a lawsuit brought by several purported purchasers of airline tickets and travel agents under the antitrust laws, which seeks an injunction to prohibit the merger. The settlement referenced above does not relate to this action. Additional lawsuits may be filed against UAL, Continental and/or the directors of either company in connection with the merger. See "The Merger Litigation Related to the Merger" beginning on page 90 for more information about the lawsuits that have been filed related to the merger.

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One of the conditions to the closing of the merger is that no order, injunction, decree or other legal restraint or prohibition shall be in effect that prevents completion of the merger. Consequently, if a settlement or other resolution is not reached in the lawsuits referenced above and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting the defendants' ability to complete the merger, then such injunctive or other relief may prevent the merger from becoming effective within the expected time frame or at all.

***If the merger does not qualify as a reorganization under Section 368(a) of the Code, the stockholders of Continental may be required to pay substantial U.S. federal income taxes.***

As a condition to the completion of the merger, each of Cravath, Swaine & Moore LLP, tax counsel to UAL, and Jones Day, tax counsel to Continental, will have delivered an opinion, dated as of the date this joint proxy statement/prospectus is first filed with the SEC and as of the closing date of the merger, that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. These opinions will be based on certain assumptions and representations as to factual matters from UAL and Continental, as well as certain covenants and undertakings by UAL and Continental. If any of the assumptions, representations, covenants or undertakings is incorrect, incomplete, inaccurate or is violated in any material respect, the validity of the conclusions reached by counsel in their opinions would be jeopardized. Additionally, an opinion of counsel represents counsel's best legal judgment but is not binding on the IRS or any court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinions or that a court will not sustain such a challenge. If the IRS or a court determines that the merger should not be treated as a reorganization, a holder of Continental common stock would recognize taxable gain or loss upon the exchange of Continental common stock for UAL common stock pursuant to the merger. See Material U.S. Federal Income Tax Consequences beginning on page 107.

***Failure to complete the merger could negatively impact the stock prices and the future business and financial results of UAL and Continental.***

If the merger is not completed, the ongoing businesses of UAL and/or Continental may be adversely affected, and UAL and Continental will be subject to several risks, including the following:

being required to pay a termination fee of \$175 million under certain circumstances provided in the merger agreement;

having to pay certain costs relating to the merger, such as legal, accounting, financial advisor and printing fees; and

having had the focus of each companies' management on the merger instead of on pursuing other opportunities that could have been beneficial to the companies.

If the merger is not completed, Continental and UAL cannot assure their stockholders that these risks will not materialize and will not materially adversely affect the business, financial results and stock prices of Continental or UAL.

***The merger agreement contains provisions that could discourage a potential competing acquiror of either UAL or Continental.***

The merger agreement contains no shop provisions that, subject to limited exceptions, restrict each of UAL's and Continental's ability to solicit, initiate, or knowingly encourage and facilitate competing third-party proposals for the acquisition of their company's stock or assets. Further, even if the UAL board of directors or the Continental board of directors withdraws or qualifies its recommendation with respect to the merger, UAL or Continental, as the case may be, will still be required to submit each of their merger-related proposals to a vote at their special meeting. In addition, the other party generally has an opportunity to offer to modify the terms of the merger in response to any competing acquisition proposals before the board of directors of the company that has received a third-party proposal may withdraw or qualify its recommendation with respect to the merger. In some circumstances, upon termination of the merger agreement, one of the parties will be required to pay a termination

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fee of \$175 million to the other party. See The Merger Agreement No Solicitation of Alternative Proposals beginning on page 96, The Merger Agreement Termination of the Merger Agreement beginning on page 103 and The Merger Agreement Expenses and Termination Fees; Liability for Breach beginning on page 104.

These provisions could discourage a potential third-party acquiror that might have an interest in acquiring all or a significant portion of UAL or Continental from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger or might result in a potential third-party acquiror proposing to pay a lower price to the stockholders than it might otherwise have proposed to pay because of the added expense of the \$175 million termination fee that may become payable in certain circumstances.

If the merger agreement is terminated and either UAL or Continental determines to seek another business combination, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the merger.

***The fairness opinions obtained by the boards of directors of UAL and Continental from their financial advisors will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.***

Neither the UAL board of directors nor the Continental board of directors has obtained an updated fairness opinion as of the date of this joint proxy statement/prospectus from J.P. Morgan or Goldman Sachs, UAL's financial advisors, or Lazard or Morgan Stanley, Continental's financial advisors.

Changes in the operations and prospects of UAL or Continental, general market and economic conditions and other factors that may be beyond the control of UAL and Continental, and on which the fairness opinions were based, may alter the value of UAL or Continental or the prices of shares of UAL common stock or Continental common stock by the time the merger is completed. The opinions do not speak as of the time the merger will be completed or as of any date other than the dates of such opinions. Because neither UAL nor Continental anticipates asking its financial advisors to update their opinions, the May 2, 2010 opinions do not address the fairness of the exchange ratio or merger consideration, from a financial point of view, at the time the merger is completed. The opinions are included as Annexes B, C, D and E to this joint proxy statement/prospectus. For a description of the opinions that the UAL board of directors received from its financial advisors and a summary of the material financial analyses they provided to the UAL board of directors in connection with rendering such opinions, please refer to The Merger Opinion of UAL's Financial Advisors beginning on page 47. For a description of the opinions that the Continental board of directors received from its financial advisors and a summary of the material financial analyses they provided to the Continental board of directors in connection with rendering such opinions, please refer to The Merger Opinion of Continental's Financial Advisors beginning on page 61. For a description of the other factors considered by the board of directors of UAL in determining to approve the merger agreement and the merger, please refer to The Merger UAL's Reasons for the Merger; Recommendation of the UAL Board of Directors beginning on page 45. For a description of the other factors considered by the board of directors of Continental in determining to approve the merger, please refer to The Merger Continental's Reasons for the Merger; Recommendation of the Continental Board of Directors beginning on page 58.

***UAL's and Continental's executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of UAL and Continental stockholders generally.***

UAL's and Continental's executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of UAL and Continental stockholders generally. UAL's executive officers and Continental's executive officers negotiated the terms of the merger agreement. The executive officers of UAL and Continental have arrangements with UAL or Continental, as applicable, that provide for severance benefits if their employment is terminated under certain circumstances following the completion of the merger. In addition, certain of UAL's and Continental's compensation and benefit plans and arrangements provide for



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payment or accelerated vesting or distribution of certain rights or benefits upon completion of the merger. Executive officers and directors of Continental also have rights to indemnification and directors and officers liability insurance that will survive completion of the merger.

Upon completion of the merger, Mr. Tilton will serve as non-executive chairman of the board of the combined company through the later of December 31, 2012 and the second anniversary of the closing of the merger, and Mr. Smisek will serve as the chief executive officer of the combined company. Mr. Smisek will also become executive chairman of the board of the combined company upon Mr. Tilton's ceasing to be non-executive chairman. Immediately following the effective time of the merger, the board of directors of the combined company will consist of sixteen members, including: (i) six of the independent directors of UAL immediately prior to the merger, to be selected by UAL, (ii) six of the independent directors of Continental immediately prior to the merger, to be selected by Continental, (iii) Mr. Tilton (the current chairman of the board, president and chief executive officer of UAL), (iv) Mr. Smisek (the current chairman of the board, president and chief executive officer of Continental), (v) the UAL director immediately prior to the merger who was elected by the holder of the Class Pilot MEC Junior Preferred Stock and (vi) the UAL director immediately prior to the merger who was elected by the holder of the Class IAM Junior Preferred Stock. As of the date of this joint proxy statement/prospectus, neither UAL nor Continental has made a determination as to which independent directors to appoint to the board of directors of the combined company.

The UAL and Continental boards of directors were aware of these interests at the time each approved the merger and the transactions contemplated by the merger agreement. These interests may cause UAL's and Continental's directors and executive officers to view the merger proposal differently and more favorably than you may view it. See *The Merger Interests of UAL Directors and Executive Officers in the Merger* and *The Merger Interests of Continental Directors and Executive Officers in the Merger* beginning on pages 72 and 78, respectively, for more information.

### **Risk Factors Relating to the Combined Company Following the Merger**

*The combined company may be unable to integrate successfully the businesses of UAL and Continental and realize the anticipated benefits of the merger.*

The merger involves the combination of two companies that currently operate as independent public companies. The combined company will be required to devote significant management attention and resources to integrating the business practices and operations of UAL and Continental. Potential difficulties the combined company may encounter as part of the integration process include the following:

the inability to successfully combine the businesses of United and Continental in a manner that permits the combined company to achieve the full revenue and cost synergies anticipated to result from the merger;

complexities associated with managing the combined businesses, including the challenge of integrating complex systems, technology, aircraft fleets, networks and other assets of each of our companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;

integrating the workforces of the two airlines while maintaining focus on providing consistent, high quality customer service; and

potential unknown liabilities and unforeseen increased expenses or delays associated with the merger, including one-time cash costs to integrate the two airlines that may exceed the estimated \$1.2 billion one-time cash costs that UAL and Continental currently anticipate.

In addition, UAL and Continental have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in:

diversion of the attention of each company's management; and



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the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect each company's ability to maintain relationships with customers, suppliers, employees and other constituencies or UAL's and Continental's ability to achieve the anticipated benefits of the merger or could reduce each company's earnings or otherwise adversely affect the business and financial results of the combined company.

***The need to integrate the United and Continental workforces following the merger and negotiate new labor agreements presents the potential for delay in achieving expected synergies, increased labor costs or labor disputes that could adversely affect the combined company's operations.***

The successful integration of United and Continental and achievement of the anticipated benefits of the combination depend significantly on integrating United's and Continental's employee groups and on maintaining productive employee relations. Failure to do so presents the potential for delays in achieving expected synergies of integration, increased labor costs and labor disputes that could adversely affect the combined company's operations. United and Continental are both highly unionized companies. More than 80% of United's 46,000 employees are organized, and United currently has 11 domestic collective bargaining agreements with six different unions. All of United's agreements became amendable pursuant to the Railway Labor Act (RLA) on or about December 31, 2009 or January 7, 2010, and United is currently in negotiations with all of its unions for new agreements. Approximately 60% of Continental's 41,000 employees are organized, and Continental has five collective bargaining agreements with four different unions. Most of Continental's agreements became amendable pursuant to the RLA on either December 31, 2008 or December 31, 2009, and Continental is currently in negotiations with three of its unions for new agreements.

The process for integrating labor groups in an airline merger is governed by a combination of the RLA, the McCaskill-Bond Act, and where applicable, the existing provisions of each company's collective bargaining agreements and union policy. Pending operational integration, it is generally necessary to maintain a fence between employee groups, during which time the combined company will keep the employee groups separate and apply the terms of the existing collective bargaining agreements unless other terms have been negotiated.

Under the McCaskill-Bond Act seniority integration must be accomplished in a fair and equitable manner consistent with the process set forth in the Allegheny-Mohawk Labor Protective Provisions (LPPs). Such process consists first of direct negotiations between the companies and the incumbent unions and second, if integration cannot be achieved through agreement, submitting the seniority integration to binding arbitration by a neutral arbitrator. For employee groups having the same representative at both carriers, such as mechanics and pilots, the McCaskill-Bond Act provides that seniority integration be accomplished pursuant to the union's internal policies if such policies exist, which can also require arbitration. Employee dissatisfaction with the results of the seniority integration typically leads to litigation, which in some cases can delay implementation.

Under the RLA, the National Mediation Board (NMB) has exclusive authority to resolve representation disputes arising out of airline mergers. The disputes that the NMB has authority to resolve include (i) whether the merger has created a single carrier for representation purposes; (ii) designation of the appropriate craft or class the RLA term for bargaining unit for bargaining at the combined company on a system wide basis, an issue which typically arises from minor inconsistencies over which positions are included within a particular craft or class at the two companies; and (iii) designation of the representative of each craft or class at the combined company.

In order to fully integrate the pre-merger represented employee groups, the combined company must negotiate a joint collective bargaining agreement covering each combined group. These negotiations can begin immediately where the same union represents employees of both companies within the craft or class in question, but otherwise will likely begin after a single post-merger representative has been certified by the NMB.

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Following announcement of the merger, the Air Line Pilots Association, International ( ALPA ), which represents pilots at both carriers, opted to pursue negotiations with both United and Continental for a joint collective bargaining agreement ( JCBA ) that would govern the combined pilot group following closing. United and Continental announced on July 20, 2010 that they have agreed in principle with ALPA on a Transition and Process Agreement that provides a framework for conducting pilot operations of the two groups until the parties reach agreement on a JCBA and the carriers obtain a single operating certificate.

Prior to the completion of the merger, there is a risk of litigation or arbitration by unions or individual employees that could delay or halt the merger or result in monetary damages on the basis that the merger either violates a provision of an existing collective bargaining agreement or an obligation under the RLA or other applicable law. The unions or individual employees might also pursue judicial or arbitral claims arising out of changes implemented as a result of the merger.

There is also a possibility that employees or unions could engage in job actions such as slow-downs, work-to-rule campaigns, sick-outs or other actions designed to disrupt United's and Continental's normal operations, whether in opposition to the merger or in an attempt to pressure the companies in collective bargaining negotiations. Although the RLA makes such actions unlawful until the parties have been lawfully released to self-help, and United and Continental can seek injunctive relief against premature self-help, such actions can cause significant harm even if ultimately enjoined. In 2008, United obtained a preliminary injunction preventing United's pilots from engaging in any actions designed to disrupt United's normal operations. As a result of an agreement between the parties, the preliminary injunction will remain in place until United and ALPA have negotiated a new collective bargaining agreement.

***UAL's and Continental's ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be limited as a result of the merger, together with certain other possible transactions involving the sale or issuance of UAL stock, or if taxable income does not reach sufficient levels.***

As of December 31, 2009, UAL had federal net operating loss carryforwards ( NOLs ) in excess of \$9.0 billion available to offset future taxable income. As of December 31, 2009, Continental had federal NOL carryforwards in excess of \$3.5 billion, which are not currently subject to an annual limitation under Section 382 of the Code.

The combined company's ability to utilize the NOLs may be limited if UAL or Continental undergoes an ownership change, as defined in Section 382 of the Code. An ownership change could be triggered by substantial changes in the ownership of the outstanding stock of UAL or Continental. An ownership change would occur if certain stockholders increase their aggregate percentage ownership of UAL or Continental stock by more than 50 percentage points over their lowest percentage ownership at any time during the testing period, which is generally the three-year period preceding any potential ownership change.

The merger is currently expected to result in an ownership change of Continental for purposes of Section 382 of the Code. It is not clear whether the merger will result in an ownership change of UAL for purposes of Section 382 of the Code. However, even if the merger does not result in an ownership change of UAL, the merger together with certain other possible transactions involving the sale or issuance of UAL stock (for example, the issuance of UAL stock in connection with the conversion of convertible debt issued by UAL or Continental) might result in an ownership change of UAL in the future.

Section 382 of the Code imposes an annual limitation on the amount of post-ownership change taxable income that may be offset with pre-ownership change NOLs of the corporation that experiences an ownership change. The limitation imposed by Section 382 of the Code for any post-change year generally would be determined by multiplying the value of such corporation's stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains in the assets held

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by such corporation at the time of the ownership change. The combined company's use of NOLs arising after the date of an ownership change would not be affected unless the combined company experienced a subsequent ownership change.

The combined company's ability to use NOLs will also depend on the amount of taxable income generated in future periods. The NOLs may expire before the combined company can generate sufficient taxable income to utilize the NOLs.

### ***The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the merger.***

Following the merger, the size of the business of the combined company will increase significantly beyond the current size of either UAL's or Continental's business. The combined company's future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements and other benefits currently anticipated from the merger.

### ***The combined company is expected to incur substantial expenses related to the merger and the integration of United and Continental.***

The combined company is expected to incur substantial expenses in connection with the merger and the integration of United and Continental. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, revenue management, reservations, maintenance, flight operations, marketing and benefits. While UAL and Continental have assumed that a certain level of expenses would be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses likely will result in the combined company taking significant charges against earnings following the completion of the merger, and the amount and timing of such charges are uncertain at present.

### ***Following the merger, the combined company may need to launch branding or rebranding initiatives that may involve substantial costs and may not be favorably received by customers.***

The combined company's plan is that it will retain the United name and Continental's logo and livery in connection with the merger. As a result, the combined company may incur substantial costs in rebranding its products and services in those markets that previously used the Continental name and United's logo and livery, and the combined company may not be able to achieve or maintain brand name recognition or status under the new combined company brand that is comparable to the recognition and status previously enjoyed by UAL and Continental separately. The failure of any such rebranding initiative could adversely affect the combined company's ability to attract and retain customers after the merger, which could cause the combined company not to realize some or all of the benefits contemplated by us to result from the merger.

## **Other Risk Factors of UAL and Continental**

UAL's and Continental's businesses are and will be subject to the risks described above. In addition, UAL and Continental are, and will continue to be, subject to the risks described in UAL's and Continental's Annual Reports on Form 10-K for the fiscal year ended December 31, 2009, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 141 for the location of information incorporated by reference in this joint proxy statement/prospectus.

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**THE COMPANIES**

**UAL Corporation**

UAL Corporation, a Delaware corporation, serves as the holding company for United Air Lines, Inc. ( United ). United, a wholly owned subsidiary of UAL Corporation, is one of the largest international carriers based in the United States. United operates approximately 3,400 flights a day to more than 230 U.S. domestic and international destinations from its hubs in Los Angeles, San Francisco, Denver, Chicago, Washington, D.C. and Tokyo and has key global air rights in the Asia-Pacific region, Europe and Latin America. United also is a founding member of Star Alliance, which overall offers 21,200 daily flights to 1,172 airports in 181 countries through its 28 member airlines. United s 46,000 employees reside in every U.S. state and in many countries around the world.

UAL s common stock is traded on the NASDAQ Global Select Market under the symbol UAU.

The principal executive offices of UAL are located at 77 W. Wacker Drive, Chicago, IL 60601 and its telephone number is (312) 997-8000. Additional information about UAL and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 141.

**Continental Airlines, Inc.**

Continental Airlines, Inc., a Delaware corporation, is the world s fifth largest airline, as measured by the number of scheduled miles flown by revenue passengers in 2009. Continental, together with its wholly owned subsidiary, Continental Micronesia, Inc., and including regional flights operated on Continental s behalf under capacity purchase agreements with other carriers, has more than 2,200 daily departures throughout the Americas, Europe and Asia, serving 117 domestic and 127 international destinations. Continental is also a member of Star Alliance, which overall offers 21,200 daily flights to 1,172 airports in 181 countries through its 28 member airlines. With more than 40,000 employees, Continental has hubs serving New York, Houston, Cleveland and Guam, and together with its regional partners, carries approximately 63 million passengers per year.

Continental s common stock is traded on the New York Stock Exchange under the symbol CAL.

The principal executive offices of Continental are located at 1600 Smith Street, Dept. HQSEO, Houston, TX 77002 and its telephone number is (713) 324-2950. Additional information about Continental and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See Where You Can Find More Information on page 141.

**JT Merger Sub Inc.**

JT Merger Sub Inc., a wholly owned subsidiary of UAL Corporation, is a Delaware corporation that was formed on April 26, 2010 for the sole purpose of effecting the merger. In the merger, JT Merger Sub Inc. will be merged with and into Continental, with Continental surviving as a wholly owned subsidiary of UAL Corporation.

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### **THE UAL SPECIAL MEETING**

*This joint proxy statement/prospectus is being provided to the stockholders of UAL as part of a solicitation of proxies by UAL's board of directors for use at UAL's special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus provides stockholders of UAL with the information they need to know to be able to vote or instruct their vote to be cast at UAL's special meeting.*

#### **Date, Time and Place**

The special meeting of UAL stockholders will be held at the United Airlines Education and Training Center, 1200 East Algonquin Road, Elk Grove Village, Illinois, on September 17, 2010, at 10:00 a.m., local time.

#### **Purpose of the UAL Special Meeting**

At the UAL special meeting, UAL stockholders will be asked to consider and vote on:

the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger as contemplated by the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus;

the proposal to adopt UAL's amended and restated certificate of incorporation, a copy of which is attached as Annex F to this joint proxy statement/prospectus, as contemplated by the merger agreement; and

the proposal to adjourn the UAL special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes for the approval of any of the foregoing proposals.

Completion of the merger is conditioned on approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation by UAL stockholders.

#### **Recommendation of the Board of Directors of UAL**

The UAL board of directors has unanimously approved the merger agreement and UAL's amended and restated certificate of incorporation and determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that the adoption of UAL's amended and restated certificate of incorporation is advisable.

**The UAL board of directors unanimously recommends that UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt the amended and restated certificate of incorporation of UAL.**

#### **UAL Record Date; Stockholders Entitled to Vote**

Only UAL stockholders of record at the close of business on August 12, 2010, the UAL record date for the UAL special meeting, are entitled to notice of, and to vote at, the UAL special meeting or any adjournments or postponements thereof.

At the close of business on the UAL record date, there were 168,452,800 shares of UAL capital stock issued and outstanding and entitled to vote at the UAL special meeting. UAL stockholders will have one vote for each

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share of UAL capital stock they owned on the UAL record date, in person or through the Internet or by telephone or by a properly executed and delivered proxy with respect to the UAL special meeting. UAL capital stock consists of the outstanding shares of UAL common stock, one outstanding share of Class Pilot MEC Junior Preferred Stock and one outstanding share of Class IAM Junior Preferred Stock. A list of stockholders of UAL will be available for review for any purpose germane to the special meeting at UAL's executive offices and principal place of business at 77 W. Wacker Drive, Chicago, Illinois 60601, during regular business hours for a period of 10 days before the special meeting. The list will also be available at the special meeting for examination by any stockholder of record present at the special meeting.

### **Voting by UAL's Directors and Executive Officers**

At the close of business on the UAL record date, directors and executive officers of UAL and their affiliates were entitled to vote 181,470 shares of UAL capital stock, or approximately 0.11% of the shares of UAL capital stock outstanding on that date. We currently expect that UAL's directors and executive officers will vote their shares in favor of the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the proposal to adopt UAL's amended and restated certificate of incorporation, although none of them has entered into any agreement obligating them to do so.

### **Quorum**

Stockholders who hold shares representing at least a majority of the shares entitled to vote at the UAL special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the UAL special meeting. If a quorum is not present, or if fewer shares are voted in favor of either proposal than is required, the special meeting may be adjourned by the vote of a majority of the shares present in person or represented by proxy and entitled to vote at the special meeting to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Abstentions (shares of UAL capital stock for which proxies have been received but for which the holders have abstained from voting) will be included in the calculation of the number of shares of UAL capital stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of UAL capital stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

The issuance of shares of UAL common stock to Continental stockholders pursuant to the merger requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock present in person or represented by proxy and entitled to vote on the proposal.

The adoption of UAL's amended and restated certificate of incorporation requires the affirmative vote of holders of a majority of the outstanding shares of UAL capital stock entitled to vote on the proposal.

The adjournment of the UAL special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of holders of a majority of the UAL capital stock present in person or represented by proxy and entitled to vote on the proposal.

Completion of the merger is conditioned on approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation by UAL stockholders.



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### **Failure to Vote, Broker Non-Votes and Abstentions**

If you fail to vote or fail to instruct your broker, bank or other nominee to vote, it will have no effect on the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger, assuming a quorum is present, and will have the same effect as a vote AGAINST the proposal to adopt UAL's amended and restated certificate of incorporation.

Abstentions, which will occur if a UAL stockholder attends the UAL special meeting, either in person or by proxy, but abstains from voting, will have the same effect as a vote AGAINST both the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the proposal to adopt UAL's amended and restated certificate of incorporation.

### **Voting of Proxies by Holders of Record**

If you are a holder of record, a proxy card is enclosed for your use. UAL requests that you submit a proxy via Internet by logging onto <http://www.envisionreports.com/uaua> and following the prompts using your six digit control number located on your meeting notice or proxy card or by telephone by dialing 1-800-652-8683 and listening for further directions or sign the accompanying proxy and return it promptly in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of UAL capital stock represented by it will be voted at the UAL special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy.

If a proxy is returned without an indication as to how the shares of UAL capital stock represented are to be voted with regard to a particular proposal, the UAL capital stock represented by the proxy will be voted in accordance with the recommendation of the UAL board of directors and, therefore, FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL's amended and restated certificate of incorporation. At the date hereof, management has no knowledge of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in UAL's Notice of Special Meeting of Stockholders. If any other matter is properly presented at the special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the UAL special meeting in person. Proxies submitted through the specified Internet website or by phone must be received by 11:59 p.m., eastern time, on September 16, 2010.**

### **Shares Held in United 401(k) Plans**

If you hold shares through the United Airlines Management and Administrative 401(k) Plan, the United Airlines Flight Attendant 401(k) Plan or the United Airlines Ground Employee 401(k) Plan (collectively, the United 401(k) Plans ) you can instruct the trustee of the United 401(k) Plans, Evercore Trust Company, N.A. (the trustee ), in a confidential manner, how to vote the shares allocated to you in the applicable United 401(k) Plan by one of the following three methods:

logging onto <http://www.envisionreports.com/uaua> and following the prompts using your six digit control number located on your meeting notice or proxy card to vote over the Internet anytime up to 11:59 p.m. eastern time on September 13, 2010 and following the instructions provided on that site;

dialing 1-800-652-8683 and listening for further directions to vote by telephone anytime up to 11:59 p.m. eastern time on September 13, 2010, and following the instructions provided in the recorded message; or

marking, signing and mailing your instruction card to the address indicated on your instruction card. Your instruction card must be received by UAL's transfer agent, Computershare, at P.O. Box 43126,

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Providence, Rhode Island 02940-3126 no later than 5:00 p.m., eastern time, on September 13, 2010, to ensure that the trustee of the United 401(k) Plans is able to vote your shares in accordance with your wishes.

In addition, since only the trustee of the United 401(k) Plans can vote your shares, you will not be able to vote your United 401(k) Plan shares personally at the UAL special meeting. Please note that the applicable trust agreement governing the United 401(k) Plans provides that, if the trustee does not receive your voting instructions, the trustee will vote your shares in the same proportion as it votes the shares for which instructions are timely received from other participants.

Voting of the shares in the United 401(k) Plans by the trustee is subject to federal pension laws, which require the trustee to act as a fiduciary for participants in United 401(k) Plans in deciding how to vote the shares. Therefore, irrespective of these voting provisions, it is possible that the trustee may decide to vote shares other than as set forth above if it determines it is required to do so under applicable law. The only way to ensure that the trustee votes shares allocated to you in the applicable United 401(k) Plan in accordance with your wishes is to provide instructions to the trustee in the manner set forth above. If you are a participant (or a beneficiary of a deceased participant) in a United 401(k) Plan and you also own other shares of UAL common stock outside of your United 401(k) Plan account, you should receive a proxy card for shares credited to your account in the applicable United 401(k) Plan and a separate proxy card if you are a record holder of additional shares of UAL common stock or voting instruction card if you hold additional shares of UAL common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker, bank or other nominee and shares that are allocated to your United 401(k) Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of UAL common stock.

### **Shares Held in Street Name**

If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to UAL or by voting in person at your stockholders meeting unless you have a legal proxy, which you must obtain from your bank or broker. Further, brokers who hold shares of UAL common stock on behalf of their customers may not give a proxy to UAL to vote those shares without specific instructions from their customers.

If you are a UAL stockholder and you do not instruct your broker on how to vote your shares:

your broker may not vote your shares on the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger, which will have no effect on the vote on this proposal, assuming a quorum is present and a majority of the shares of UAL common stock entitled to vote actually do vote on the proposal; and

your broker may not vote your shares on the proposal to adopt of UAL's amended and restated certificate of incorporation, which will have the same effect as a vote against this proposal.

### **Revocation of Proxies**

If you are the record holder of stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

timely delivering a new, valid proxy bearing a later date by submitting instructions through the Internet, by telephone or by mail as described on the proxy card; or

attending the UAL special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the UAL special meeting without voting will not revoke any proxy that you have previously given or change your vote.



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A registered stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder's previous proxy.

Please note that if your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or other nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your vote by attending the special meeting and voting in person, your vote in person at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or other nominee).

## **Tabulation of Votes**

UAL has appointed Computershare Investor Services to serve as the Inspector of Election for the UAL special meeting. Computershare Investor Services will independently tabulate affirmative and negative votes and abstentions.

## **Solicitation of Proxies**

UAL is soliciting proxies for the UAL special meeting and, in accordance with the merger agreement, the cost of proxy solicitation will be borne by UAL. In addition to solicitation by use of mails, proxies may be solicited by each of the UAL directors including Mr. Tilton, UAL's chairman, president and chief executive officer, and Ms. Mikells, UAL's executive vice president and chief financial officer, John Gebo, UAL's vice president financial planning & analysis, Gerald Epperly, UAL's managing director financial planning & analysis and Tyler Reddien, UAL's managing director investor relations, each of whom is a participant in this solicitation, in person or by telephone or other means of communication. These individuals will not be additionally compensated, but may be reimbursed for out-of-pocket expenses associated with solicitation. Arrangements will also be made with custodians, nominees and fiduciaries for forwarding of proxy solicitation material to beneficial owners of common stock and voting preferred stock held of record, and we may reimburse these individuals for their reasonable expenses. To help assure the presence in person or by proxy of the largest number of stockholders possible, we have engaged Innisfree M&A Incorporated (Innisfree), a proxy solicitation firm, to solicit proxies on UAL's behalf. We have agreed to pay Innisfree a proxy solicitation fee not to exceed \$150,000. We will also reimburse Innisfree for its reasonable out-of-pocket costs and expenses.

## **Adjournments**

**Any adjournment of the special meeting may be made from time to time by approval of the holders of a majority of the shares of common stock present in person or represented by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of UAL common stock to Continental stockholders or the proposal to adopt UAL's amended and restated certificate of incorporation, then UAL stockholders may be asked to vote on a proposal to adjourn the special meeting so as to permit the further solicitation of proxies.**

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### **THE CONTINENTAL SPECIAL MEETING**

*This proxy statement/prospectus is being provided to the stockholders of Continental as part of a solicitation of proxies by Continental's board of directors for use at Continental's special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This proxy statement/prospectus provides stockholders of Continental with the information they need to know to be able to vote or instruct their vote to be cast at Continental's special meeting.*

#### **Date, Time and Place**

The special meeting is scheduled to be held at The Crowne Plaza Hotel, 1700 Smith Street, Houston, Texas on September 17, 2010 at 10:00 a.m., local time.

#### **Purpose of the Continental Special Meeting**

At the Continental special meeting, Continental stockholders will be asked to consider and vote on:

the proposal to adopt the merger agreement, which is further described in the sections titled "The Merger" and "The Merger Agreement," beginning on pages 38 and 92, respectively; and

the proposal to adjourn the Continental special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal.

#### **Recommendation of the Board of Directors of Continental**

The Continental board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Continental and its stockholders.

**The Continental board of directors unanimously recommends that Continental stockholders vote FOR the proposal to adopt the merger agreement.**

#### **Continental Record Date; Stockholders Entitled to Vote**

Only holders of record of Continental common stock at the close of business on August 12, 2010, the record date for Continental's special meeting, will be entitled to notice of, and to vote at, Continental's special meeting or any adjournments or postponements thereof. At the close of business on the record date, 140,557,171 shares of Continental common stock were issued and outstanding and held by 18,621 holders of record. Holders of record of Continental common stock on the record date are entitled to one vote per share at the special meeting on each proposal. A list of stockholders of Continental will be available for review for any purpose germane to the special meeting at Continental's executive offices and principal place of business at 1600 Smith Street, Houston, Texas 77002, during regular business hours for a period of 10 days before the special meeting. The list will also be available at the special meeting for examination by any stockholder of record present at the special meeting.

#### **Voting by Continental's Directors and Executive Officers**

At the close of business on the Continental record date, directors and executive officers of Continental and their affiliates were entitled to vote 73,001 shares of Continental common stock, or approximately 0.05% of the shares of Continental common stock outstanding on that date. We currently expect that Continental's directors and executive officers will vote their shares in favor of the proposal to adopt the merger agreement, although none of them has entered into any agreement obligating them to do so.

#### **Quorum**

No business may be transacted at the special meeting unless a quorum is present. Attendance in person or by proxy at the special meeting of holders of record of a majority of the aggregate voting power of the outstanding



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shares of Continental common stock entitled to vote at the meeting will constitute a quorum. If a quorum is not present, or if fewer shares of Continental common stock are voted in favor of the proposal to adopt the merger agreement than the number required for its adoption, the special meeting may be adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Abstentions (shares of Continental common stock for which proxies have been received but for which the holders have abstained from voting) will be included in the calculation of the number of shares of Continental common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Continental common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Continental common stock entitled to vote on the proposal. Failures to vote, votes to abstain and broker non-votes will have the effect of a vote against the proposal.

If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the adoption of the merger agreement, the Continental stockholders, by a majority of the votes cast at the meeting by the holders of Continental common stock entitled to vote and present in person or by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

### **Failure to Vote, Broker Non-Votes and Abstentions**

Under the rules of the New York Stock Exchange, or NYSE, banks, brokers, trusts or other nominees holding shares of record may vote those shares in their discretion on certain routine proposals when they do not receive timely voting instructions from the beneficial holders. A broker non-vote occurs under these NYSE rules when a bank, broker, trust or other nominee holding shares of record is not permitted to vote on a non-routine matter without instructions from the beneficial owner of the shares and no instruction is given.

In accordance with these NYSE rules, banks, brokers and other nominees who hold shares of Continental common stock in street name for their customers, but do not have discretionary authority to vote the shares, may not exercise their voting discretion with respect to the proposal to adopt the merger agreement. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the proposal to adopt the merger agreement. For shares of Continental common stock held in street name, only shares of Continental common stock affirmatively voted FOR the proposal to adopt the merger agreement will be counted as a favorable vote for such proposal. Abstaining from voting, or failing to provide voting instructions to your bank, broker or other nominee, will have the same effect as a vote AGAINST the proposal to adopt the merger agreement.

Abstentions and broker non-votes will have no effect on the approval of any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the adoption of the merger agreement.

### **Voting at the Special Meeting**

Whether or not you plan to attend Continental's special meeting, please vote your shares. If you are a registered or record holder, which means your shares are registered in your name with Mellon Investor Services LLC, Continental's transfer agent and registrar, you may vote in person at the special meeting or by

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proxy. If your shares are held in street name, which means your shares are held of record in an account with a broker, bank or other nominee, you must follow the instructions from your broker, bank or other nominee in order to vote.

In addition, if you are a registered stockholder, please be prepared to provide proper identification, such as a driver's license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or letter from your bank, broker or other nominee, along with proper identification.

### **Voting in Person**

If you plan to attend Continental's special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the special meeting, you must bring to the special meeting a proxy executed in your favor from the record holder (your broker, bank or other nominee) of the shares authorizing you to vote at the special meeting.

### **Voting by Proxy**

If you are a holder of record, a proxy card is enclosed for your use. Continental requests that you submit a proxy via Internet by logging onto <http://www.proxyvote.com> and following the instructions on your proxy card or by telephone by dialing 1-800-690-6903 and listening for further directions or by signing the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. You should vote your proxy in advance of the meeting even if you plan to attend Continental's special meeting. You can always change your vote at the special meeting.

Stockholders of Continental of record may submit their proxies through the mail by completing their proxy card, and signing, dating and returning it in the enclosed, pre-addressed, postage-paid envelope. To be valid, a returned proxy card must be signed and dated. If you hold your shares of Continental common stock in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to vote your shares. If you vote by Internet or telephone, you need not return a proxy card by mail, but your vote must be received by 11:59 p.m., eastern time, on September 16, 2010.

### **How Proxies are Counted**

All shares represented by properly executed proxies received in time for the Continental special meeting will be voted at the meeting in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the proposal to adopt the merger agreement.

Only shares affirmatively voted for the proposal, and properly executed proxies that do not contain voting instructions, will be counted as favorable votes for the proposal to adopt the merger agreement. Abstentions and broker non-votes will have the same effect as votes AGAINST the proposal to adopt the merger agreement.

### **Revocation of Proxies**

If you are the record holder of stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

timely delivering a signed written notice of revocation to the Secretary of Continental;

timely delivering a new, valid proxy bearing a later date by submitting instructions through the Internet, by telephone or by mail as described on the proxy card; or

attending the Continental special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the Continental special meeting without voting will not revoke any proxy that you have previously given or change your vote.





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A registered stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder's previous proxy.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Continental Airlines, Inc.

P.O. Box 4607

Houston, Texas 77210-4607

Attention: Secretary

Please note that if your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your vote by attending the special meeting and voting in person, your vote in person at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or nominee).

## **Tabulation of Votes**

Continental has appointed The Carideo Group, Inc. to serve as the Inspector of Election for the Continental special meeting. The Carideo Group, Inc. will independently tabulate affirmative and negative votes and abstentions.

## **Solicitation of Proxies**

Continental is soliciting proxies for its special meeting from its stockholders. Continental will pay its own cost of soliciting proxies, including the cost of mailing this proxy statement, from its stockholders. In addition to solicitation by use of the mails, proxies may be solicited by each of Continental's directors including Mr. Smisek, Continental's chairman, president and chief executive officer, and Mr. Rowe, Continental's executive vice president and chief financial officer, Mr. Compton, Continental's executive vice president and chief marketing officer, Gerald Laderman, Continental's senior vice president finance and treasurer, and John Rainey, Continental's vice president financial planning & analysis, each of whom is a participant in this solicitation, in person or by telephone or other means of communication. These persons will not receive additional compensation, but may be reimbursed for reasonable out-of-pocket expenses in connection with this solicitation.

Continental has retained the services of Georgeson Inc. to assist in the solicitation of proxies for an estimated fee not to exceed \$50,000, plus reimbursement of out-of-pocket expenses. Continental will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of shares held of record by them. Continental will also reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.

## **Adjournments**

Any adjournment of the special meeting may be made from time to time by the Continental stockholders, by a majority of the votes cast at the meeting by the holders of Continental common stock entitled to vote and present in person or by proxy, whether or not a quorum is present, without further notice other than by an announcement made at the special meeting. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement, then Continental stockholders may be asked to vote on a proposal to adjourn the special meeting so as to permit the further solicitation of proxies.

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### **THE MERGER**

#### **Effects of the Merger**

At the effective time of the merger, Merger Sub, a wholly owned subsidiary of UAL that was formed for the sole purpose of effecting the merger, will merge with and into Continental. Continental will survive the merger and become a wholly owned subsidiary of UAL. Upon completion of the merger, UAL will be the parent company of both Continental and United, and UAL's name will be changed to United Continental Holdings, Inc.

In the merger, each outstanding share of Continental common stock (other than shares owned by Continental, UAL or Merger Sub, which shares will be cancelled) will be converted into the right to receive 1.05 shares of UAL common stock, with cash paid in lieu of fractional shares. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger. UAL stockholders will continue to hold their existing UAL shares.

#### **Background of the Merger**

The board of directors of UAL from time to time reviews and evaluates potential strategic alternatives with UAL's senior management, including possible business combination transactions. Similarly, the board of directors of Continental from time to time reviews and evaluates potential strategic alternatives with Continental's senior management, including possible business combination transactions.

For a number of years, the parties' boards of directors and senior managements have held the view that industry consolidation among U.S. airlines would benefit U.S. airlines in general and, on the right terms, the parties to such consolidation in particular. In furtherance of this long-held view, the UAL board of directors and the Continental board of directors had authorized their respective senior managements to engage, from time to time, in discussions and negotiations with other U.S. airlines regarding possible business combination transactions.

In 2006, UAL's and Continental's senior management, at the direction of their respective boards of directors and with the assistance of their respective legal and financial advisors, engaged in preliminary discussions regarding the feasibility of a business combination transaction. These discussions were terminated in early 2007 because another airline held a Continental preferred security, which the other airline acquired in 2001, that gave that other airline the ability to block a wide range of business combinations involving Continental. The preferred security contained exclusions that permitted certain types of acquisitions by Continental. Therefore, the parties and their respective advisors considered a number of transaction structures that could have been permitted under the terms of this preferred security. However, the parties concluded that none of these possible structures provided the parties with sufficient certainty of completion or with all the benefits of a business combination that would have been available if the preferred security did not exist. In April 2008, the other airline entered into a definitive merger agreement with yet another airline. Under the terms of the preferred security, the preferred security became redeemable as a result of that merger agreement, and Continental redeemed the preferred security in April 2008.

In early 2008, UAL's senior management, at the direction of the UAL board of directors and with the assistance of Cravath, Swaine & Moore LLP (Cravath), its legal advisor, and J.P. Morgan and Goldman Sachs, its financial advisors, engaged in preliminary discussions regarding possible business combination transactions with several U.S. airlines, including Continental. In addition, preliminary due diligence was conducted by UAL with respect to Continental and two other U.S. airlines. During this period, and in the subsequent periods prior to the signing of the merger agreement, Continental did not engage in merger discussions with any airline other than UAL.

Throughout March and April 2008, the UAL board of directors and the Continental board of directors received updates from their respective senior managements and legal and financial advisors on the status of the various ongoing discussions. Following these updates and discussion among the directors, the UAL board concurred with management's proposal to pursue a business combination transaction with Continental while maintaining parallel discussions with one of the other airlines with which it was engaged in preliminary due diligence and discussions, which we refer to as Company A. UAL's and Continental's senior managements, as

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well as representatives of Cravath and Jones Day, the legal advisor to Continental, engaged in negotiations regarding the terms of a possible business combination transaction, and drafts of a merger agreement were exchanged in April 2008. Each party and its advisors also conducted extensive due diligence with respect to the other party while that draft merger agreement was negotiated. The parties ended the negotiations on April 27, 2008, when Lawrence W. Kellner, the then-chairman of the board and chief executive officer of Continental, informed Glenn F. Tilton, the chairman of the board, president and chief executive officer of UAL, that the Continental board and senior management had determined that Continental was not prepared to engage in a business combination transaction with UAL at that time. Continental's board and senior management reached this decision in light of their view of the significant risks that would face a combined carrier with substantial capital obligations during a period of high fuel prices and other unfavorable industry conditions, including diminished revenues and limited access to the capital markets, resulting from a weakening economy.

On April 28, 2008, Mr. Tilton telephoned Mr. Kellner to discuss the possibility of Continental terminating its affiliation with the SkyTeam alliance and joining Star Alliance. In May 2008, UAL and Continental engaged in due diligence and discussions regarding Continental's participation in Star Alliance and other collaborations and joint ventures with Star Alliance partners (including UAL). During this period, UAL continued to engage in merger discussions with Company A. In June 2008, UAL discontinued merger discussions with Company A, and UAL and Continental announced that Continental would be joining Star Alliance and that the two companies would seek to establish joint ventures in certain international regions.

In spite of the termination of discussions between UAL and Continental regarding a possible business combination transaction in mid-2008, both parties continued to believe that consolidation among U.S. airlines would benefit U.S. airlines in general and, on the right terms, the parties to such consolidation in particular.

On June 25, 2009, certain members of UAL's senior management and Company A's senior management met to discuss a possible business combination transaction. Following such meeting, UAL's senior management provided an update to the executive committee of the UAL board of directors on July 22, 2009. At that meeting, the UAL executive committee agreed that UAL's senior management should pursue further due diligence and discussions with Company A in order to determine whether a business combination transaction would be achievable and in the best interests of UAL and its stockholders at that time.

On July 16, 2009, Continental announced that, effective December 31, 2009, Mr. Kellner would be succeeded by Jeffery A. Smisek as Continental's chairman of the board, president and chief executive officer. In 2009 and the first quarter of 2010, Continental's management team continued to consider the impact of consolidation in the airline industry and reviewed strategic alternatives in light of industry, general economic and capital markets conditions. As part of this analysis, Continental's management team prepared financial analyses of the impact on Continental of a possible business combination between Continental and UAL, as well as the impact on Continental of combinations between other airlines. Continental's management believed that these analyses showed that, if Continental were to decide to pursue a merger with another airline, a business combination between Continental and UAL would be most attractive to Continental's stakeholders.

UAL's senior management and Company A's senior management engaged in discussions regarding a possible business combination transaction during July and August 2009. Substantive discussions were suspended from September 3, 2009 through late January 2010 while the companies independently pursued business, liquidity and other priorities. UAL and Company A recommenced discussions regarding a possible business combination transaction in late January 2010. These discussions continued until April 22, 2010.

After the close of business on April 7, 2010, various news organizations reported that UAL and Company A were in discussions regarding a possible business combination transaction. In response to such reports, on April 9, 2010, following preliminary discussions of the matter with Henry L. Meyer III, Continental's lead independent director, Mr. Smisek telephoned Mr. Tilton to discuss the possibility of renewing discussions regarding a business combination transaction between UAL and Continental. Because Continental's management

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believed that, if Continental were to decide to pursue a merger, a business combination between Continental and UAL was most attractive to Continental's stakeholders, Mr. Smisek reached out to Mr. Tilton so that the two parties could discuss a transaction before UAL entered into a merger agreement or other agreement with a third party that would have foreclosed the possibility of a merger between Continental and UAL in the future. Mr. Smisek and Mr. Tilton agreed to begin evaluating the merits of such a transaction and arranged for Kathryn A. Mikells, executive vice president and chief financial officer of UAL, and Zane C. Rowe, executive vice president and chief financial officer of Continental, to engage in discussions to that effect. On April 9, 2010, Mr. Smisek informed the members of the Continental board of directors about his conversation with Mr. Tilton. In addition to the meetings of the Continental board described below, Mr. Smisek communicated with individual board members about the possible business combination transaction throughout the period leading up to the signing of the merger agreement on May 2, 2010.

Beginning on April 9, 2010 and continuing throughout the remainder of April, Ms. Mikells and Mr. Rowe engaged in frequent discussions to structure the due diligence evaluation of the parties as well as coordinate various other aspects involved in evaluating a possible transaction. At the beginning of this process, representatives of UAL informed representatives of Continental that, in light of its then-ongoing talks with Company A and the history of prior merger talks between UAL and Continental, UAL would be willing to engage in discussions regarding a possible business combination transaction with Continental on the condition that the discussions be concluded one way or the other by the end of April 2010. Given Continental's prior due diligence and knowledge of UAL and its prior analyses of a possible business combination transaction with UAL, Mr. Smisek believed that Continental could accommodate this timetable and so informed Mr. Tilton.

As described in further detail below, between April 9, 2010 and April 22, 2010, UAL maintained discussions and negotiations with both Company A and Continental regarding a possible business combination transaction.

On April 11, 2010, Mr. Tilton met with the chairman of the board and chief executive officer of Company A regarding the then-remaining open issues of a transaction between UAL and Company A, including the potential exchange ratio. The meeting concluded without resolution of these issues, and the two agreed to meet again on April 14, 2010 to determine if they could make further progress.

On April 12, 2010, UAL and Continental entered into a confidentiality agreement, and both parties and their advisors began due diligence. Starting on that date and continuing until the execution of the merger agreement on May 2, 2010, each party and its advisors conducted extensive due diligence with respect to the other party.

On April 13, 2010, at a special telephonic meeting of the executive committee of the UAL board of directors, Mr. Tilton and Ms. Mikells provided the UAL executive committee with details regarding a possible business combination transaction with Continental, including information with respect to recent discussions between Mr. Tilton and Mr. Smisek and between Ms. Mikells and Mr. Rowe. In addition, Mr. Tilton, Ms. Mikells and a Cravath representative reviewed developments regarding a possible business combination transaction between UAL and Company A, including the status of negotiations of the draft merger agreement and other key issues. During the meeting, the UAL directors that were present asked questions of Mr. Tilton, Ms. Mikells and the Cravath representative regarding the matters being presented. At the conclusion of the meeting, the UAL executive committee met in executive session to discuss further the possible business combination transactions.

Also on April 13, 2010, Cravath distributed a draft merger agreement to Jones Day regarding a possible business combination transaction with Continental.

On April 14, 2010, Mr. Tilton met with the chairman of the board and chief executive officer of Company A to again discuss the remaining open issues in respect of a possible business combination transaction between UAL and Company A, including the potential exchange ratio. No significant progress was made in resolving these issues.

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On April 15, 2010, Mr. Tilton and Ms. Mikells met with Mr. Smisek and Mr. Rowe to discuss certain terms of a possible business combination transaction, including the exchange ratio, the chairman of the board and chief executive officer roles (including whether the chairman would be an executive officer or a non-executive chairman), composition of the senior management team, location of corporate and operational headquarters, corporate name and brand (including livery), and the composition of the combined company's board of directors and board committees (including which party's designated directors would chair these committees). Following these discussions on April 15, as well as subsequent communications on April 16<sup>th</sup>, Mr. Tilton and Mr. Smisek reached an understanding with regard to each of the terms referenced above (which understandings are contained in all material respects in the merger agreement), other than as to the exchange ratio, and agreed to recommend such understandings to their respective boards of directors as the optimal basis on which to move forward. While Mr. Smisek and Mr. Tilton agreed that, because the proposed business combination would be a merger of equals, the exchange ratio would be fixed on a basis that did not contain a premium over market prices for either party, neither the specific exchange ratio nor the methodology for determining market value was discussed at such time. On April 16, 2010, Mr. Smisek informed the members of the Continental board of directors about the progress of the discussions with Mr. Tilton on April 15, 2010 and April 16, 2010.

On April 18, 2010, at a special telephonic meeting of the executive committee of the UAL board of directors, Mr. Tilton and Ms. Mikells provided details regarding their April 15, 2010 meeting and subsequent discussions with Mr. Smisek and Mr. Rowe, including information with respect to the possible exchange ratio, the chairman of the board and chief executive officer roles, composition of the senior management team, location of corporate and operational headquarters, corporate name and brand, and the composition of the combined company's board of directors and board committees. A Cravath representative informed the UAL executive committee of the status of negotiations with respect to the draft merger agreement and reviewed material terms and conditions of the draft merger agreement. In addition, Mr. Tilton, Ms. Mikells and the Cravath representative reviewed developments regarding a possible business combination transaction between UAL and Company A. During the meeting, the UAL directors that were present asked questions of Mr. Tilton, Ms. Mikells and the Cravath representative regarding the matters presented. At the conclusion of the meeting, the UAL executive committee and the other members of the UAL board engaged in a discussion regarding the possible business combination transactions.

On April 20, 2010, Mr. Tilton and James J. O'Connor, UAL's lead independent director, met with Mr. Smisek and Mr. Meyer to discuss the possible business combination transaction. Also on April 20, 2010, Jones Day distributed a revised draft merger agreement to Cravath. Following such distribution and over the following days, Cravath and Jones Day negotiated the terms of the draft merger agreement. Between April 24, 2010 and the execution of the merger agreement on May 2, 2010, Cravath and Jones Day exchanged numerous versions of the draft merger agreement.

On April 21, 2010, at a special telephonic meeting of the executive committee of the UAL board of directors, members of UAL's senior management provided an update on the status of discussions with Continental, including, among other things, with respect to the draft merger agreement, the ongoing due diligence efforts and the potential risks involved in connection with the possible business combination transaction. Members of UAL's senior management also provided an update on the status of discussions with Company A.

Also on April 21, 2010, UAL informed Company A of the growing seriousness of its discussions with Continental, reports of which had previously been published in the press. On April 22, 2010, Company A informed UAL that Company A was discontinuing discussions with UAL regarding a possible business combination transaction.

On April 23, 2010, at a special telephonic meeting of the Continental board of directors, representatives of Continental's senior management reviewed the status of the discussions with UAL, including the parties' prior merger discussions and changes in general economic, industry and capital markets conditions since these discussions were terminated in April 2008, preliminary estimates of potential synergies and one-time costs and

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potential risks regarding a possible business combination transaction. As part of that discussion, Continental's senior management also reviewed with the Continental board of directors recent discussions between both parties' senior managements regarding governance issues implicated by the possible business combination. During the meeting, Continental directors present at the meeting asked questions of senior management regarding the matters presented. The Continental board also discussed the proposed timetable for the transaction, and tentatively set April 28, 2010, April 30, 2010 and May 2, 2010 as future meeting dates for further consideration of the possible transaction if the discussions progressed. In light of Continental's belief that, if it were to pursue an airline merger, a merger of equals with UAL was most attractive to Continental's stakeholders, as well as the progress that was made in due diligence and in its discussions with UAL, Continental did not ask Lazard or Morgan Stanley, as part of their engagement by Continental, to contact any other airlines about possible business combinations.

On April 27, 2010, Mr. Tilton and Mr. Smisek met to discuss the exchange ratio for the transaction. The exchange ratio issue had been discussed between the parties' respective financial advisors on several occasions prior to this meeting. The central question in these discussions was whether to use the stock prices over a specified period of time prior to the signing date or to use instead prices from a range of dates prior to April 7, 2010. The date range prior to April 7, 2010 reflected prices that had not been affected by the news of a potential business combination transaction between UAL and Company A and the resulting speculation about a potential business combination between Continental and UAL. The stock prices in this date range were also unaffected by speculation about what period would be used by Continental and UAL to calculate the exchange ratio. At the April 27<sup>th</sup> meeting, Mr. Tilton and Mr. Smisek discussed their respective positions as to the most appropriate stock price range for calculating the exchange ratio. After exchanging a series of proposals with each other that narrowed the difference between them, they resolved the issue by agreeing that they would each recommend to their respective boards of directors that the parties move forward on the basis of an exchange ratio of 1.05 shares of UAL common stock for each share of Continental common stock outstanding.

On April 28, 2010, the human resources committee of the Continental board of directors (the Continental HRC) met to discuss various matters regarding the possible business combination transaction with UAL. At the meeting, the Continental HRC reviewed the impact of a change in control under Continental's existing employment agreements and outstanding awards, retention considerations for the period between the announcement date and effective date of a possible business combination transaction and the scope of the engagement of the Continental HRC's outside compensation consultant in connection with the possible business combination transaction.

The Continental board of directors also met on April 28, 2010. Representatives of senior management, Lazard, Morgan Stanley, Jones Day and Freshfields Bruckhaus Deringer LLP, Continental's competition counsel (Freshfields), participated in the meeting. In the meeting, the Continental board received presentations and engaged in discussions of various topics, including the status of the discussions between UAL and Continental, the directors' fiduciary duties in this context, the rationale for a possible business combination transaction with UAL, the proposed structure and governance of the combined company, regulatory and competition considerations, potential industry responses and communications matters.

As part of this discussion, members of Continental's senior management reviewed with the Continental board the results of their due diligence, their views of Continental's business on a stand-alone basis and on a combined basis with UAL, as well as potential synergies available and risks involved in connection with the possible business combination transaction. Representatives of Lazard and Morgan Stanley then reviewed their preliminary financial analyses of the financial terms of the possible business combination transaction. The Continental board also received a report from the Continental HRC with respect to the effect of the possible business combination transaction on equity awards and management contracts, and the estimated costs thereof. During the meeting, members of the Continental board asked questions of Continental's senior management and of representatives from Jones Day, Lazard, Morgan Stanley and Freshfields regarding the respective matters being presented. Jennifer Vogel, Continental's senior vice president, general counsel, secretary and chief compliance officer, then discussed the next two scheduled board meetings and the stockholder approval process.

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in connection with the possible business combination transaction. The Continental board, including Mr. Smisek, then met in executive session and continued to discuss the possible business combination transaction, at the conclusion of which it was the consensus of the Continental board that senior management should continue to pursue the possible business combination transaction with the assistance of Continental's legal and financial advisors.

On April 30, 2010, the Human Resources Subcommittee of the UAL board of directors (the UAL HRSC), which serves the role of a traditional compensation committee, met to discuss and make determinations regarding retention programs and modifications to compensation arrangements for certain UAL officers and employees in connection with the possible merger. The UAL HRSC approved management retention arrangements for UAL officers (including all of UAL's executive officers other than Mr. Tilton) and determined that, upon completion of the merger, the vesting of UAL's outstanding long-term incentive awards granted under the 2006 Management Equity Incentive Compensation Plan should accelerate, except as described under Interests of UAL's Directors and Executive Officers in the Merger Treatment of Equity Awards Waiver of Accelerated Vesting. The UAL HRSC also considered Mr. Tilton's request to waive certain compensation and benefits that he would otherwise become entitled to receive upon the termination of his employment at the effective time of the merger, as described under Interests of UAL's Directors and Executive Officers in the Merger Amended Employment Agreement with Mr. Tilton.

Also on April 30, 2010, the UAL board of directors met to review and discuss various matters in connection with a possible business combination transaction with Continental. Mr. Tilton provided the UAL board with a background of the discussions and negotiations between UAL and Continental, as well as an overview of the transaction, including the rationale for and risks involved with the possible business combination transaction. Cravath representatives advised the UAL board regarding certain legal matters related to the possible business combination transaction, including the fiduciary obligations of the members of the UAL board in connection with their consideration of the possible business combination transaction, and reviewed the terms and conditions of the proposed merger agreement, including key terms relating to structure, covenants, representations and warranties and closing conditions. The Cravath representatives also discussed the regulatory clearance and stockholder approvals required to complete the merger. Members of UAL's senior management reviewed for the UAL board of directors the results of their due diligence, their views of UAL's business on a stand-alone basis and on a combined basis with Continental, potential synergies available in connection with the possible business combination transaction, as well as the risks involved in connection with the possible business combination transaction. Representatives from J.P. Morgan and Goldman Sachs then presented to the UAL board of directors various financial analyses of a possible business combination transaction as further described under Opinions of UAL's Financial Advisors. Thereafter, each of J.P. Morgan and Goldman Sachs rendered to the UAL board of directors its oral opinion, which was subsequently confirmed by delivery of their respective written opinions, that, as of the date of such written opinions, and based upon and subject to the factors and assumptions set forth in their respective written opinions, the exchange ratio in the merger was fair, from a financial point of view, to UAL. During the meeting, members of the UAL board asked questions of UAL's senior management and of representatives from Cravath, J.P. Morgan and Goldman Sachs regarding the respective matters being presented. At that time, all non-director participants were excused from the meeting except for Thomas J. Sabatino, Jr., senior vice president, general counsel and corporate secretary of UAL, Lydia J. Mathas, senior counsel and assistant corporate secretary of UAL, and Cravath representatives, at which point the UAL board further discussed the possible business combination transaction. Subsequently, Mr. Tilton was excused from the meeting, at which point the UAL board met in executive session and continued to discuss the possible business combination transaction. Thereafter, Mr. Sabatino, Ms. Mathas and the Cravath representatives were excused from the meeting, at which point the UAL board further discussed the possible business combination transaction.

On April 30, 2010, at a special telephonic meeting of the Continental board of directors, Mr. Smisek provided an update and overview of the developments relating to management's evaluation of the possible business combination transaction with UAL since the Continental board of directors' April 28 meeting. Mr. Rowe then presented a summary of the transaction, including the rationale for and risks involved with the possible business combination transaction. A representative of Jones Day then provided an overview of the material terms and conditions of the merger agreement, including key terms relating to the structure of the



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possible business combination transaction, representations and warranties, covenants, including provisions relating to alternative transactions, closing conditions and termination rights and fees. Representatives of Lazard and Morgan Stanley then confirmed their preliminary financial analyses of the possible business combination transaction referenced in their presentation at the April 28<sup>th</sup> board meeting. The members of Continental's board present at the meeting asked questions of senior management and Continental's legal and financial advisors regarding the matters presented. The Continental board then met in executive session, at the conclusion of which it was the consensus of the Continental board of directors that senior management should continue to pursue the possible business combination transaction with the assistance of Continental's legal and financial advisors.

Between April 30, 2010 and May 2, 2010, representatives from Cravath and Jones Day, together with UAL's and Continental's senior management, met on numerous occasions to finalize the draft merger agreement and various other ancillary documents.

On May 2, 2010, at a special telephonic meeting of the finance committee of the UAL board of directors, members of UAL's senior management, Cravath, J.P. Morgan and Goldman Sachs reviewed matters related to the possible business combination transaction with Continental. Following discussion, the finance committee of the UAL board of directors unanimously agreed to recommend approval of the business combination transaction with Continental to the UAL board.

The UAL board of directors subsequently met telephonically on the afternoon of May 2, 2010 with UAL's senior management, as well as with representatives from Cravath, J.P. Morgan and Goldman Sachs. Cravath representatives reviewed for the UAL board the final terms of the merger agreement and the actions proposed to be taken by the UAL board at such meeting, including authorizing the issuance of shares of UAL common stock in connection with the transaction and approving UAL's amended and restated certificate of incorporation in connection with the transaction. Following these discussions, the UAL board of directors unanimously determined that the transactions contemplated by the merger agreement, including the issuance of UAL common stock in the merger and the adoption of UAL's amended and restated certificate of incorporation, were in the best interests of UAL and its stockholders, and the members of the UAL board voted unanimously to approve the merger agreement, the issuance of UAL common stock pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation pursuant to the merger. The UAL board determined that the vesting of UAL's outstanding long-term incentive awards granted under the 2008 Incentive Compensation Plan should accelerate, except as described under Interests of UAL's Directors and Executive Officers in the Merger Treatment of Equity Awards Waiver of Accelerated Vesting. The UAL board also approved entry into a binding term sheet with Mr. Tilton, pursuant to which he agreed to waive certain compensation and benefits that he would otherwise become entitled to receive upon the termination of his employment at the effective time of the merger.

The Continental board of directors also met telephonically on the afternoon of May 2, 2010. Members of Continental's senior management, as well as representatives from Jones Day, Lazard and Morgan Stanley, were present at the meeting. Mr. Smisek provided an overview of further developments relating to the possible business combination transaction with UAL, including that negotiations regarding the merger agreement had been finalized and that the UAL board of directors had unanimously approved the merger agreement. A Jones Day representative then reviewed with the Continental board the final terms of the merger agreement, including changes to which the parties had agreed since the Continental board's April 30<sup>th</sup> meeting. Representatives from Lazard and Morgan Stanley reviewed the various financial analyses of the possible business combination transaction as further described below under Opinions of Continental's Financial Advisors. In connection with the deliberation by the Continental board, Lazard delivered to the Continental board its written opinion dated May 2, 2010, to the effect that, as of that date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth in such opinion, the exchange ratio set forth in the merger agreement was fair, from a financial point of view, to the holders of shares of Continental common stock, as more fully described below under Opinions of Continental's Financial Advisors Opinion of Lazard Frères & Co. LLC, and Morgan Stanley delivered to the Continental board of directors its written opinion dated May 2, 2010, to the effect that, as of that date and based upon and subject to the assumptions, procedures, factors,

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qualifications and limitations set forth in such opinion, the exchange ratio set forth in the merger agreement was fair, from a financial point of view, to the holders of shares of Continental common stock, as more fully described below under **Opinions of Continental's Financial Advisors' Opinion of Morgan Stanley & Co. Incorporated.** Ms. Vogel then reviewed actions proposed to be taken by the Continental board relating to the business combination transaction. Following these discussions, the Continental board unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, were advisable and in the best interests of Continental and its stockholders and voted unanimously to approve the merger agreement.

The merger agreement was executed shortly after the conclusion of the May 2, 2010 meeting of the Continental board of directors.

### **UAL's Reasons for the Merger; Recommendation of the UAL Board of Directors**

In reaching its decision to approve the merger agreement and recommend approval of both the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, the UAL board of directors consulted with UAL's management, as well as with UAL's legal and financial advisors, and also considered a number of factors that the UAL board of directors viewed as supporting its decisions. The principal factors that the UAL board of directors viewed as supporting its decision are:

the expectation that the merger will create a company that is well positioned to compete in an increasingly competitive global airline industry by combining United's and Continental's complementary strengths, including that (i) United and Continental bring together the two most complementary route networks among U.S. air carriers, with minimal route overlap and significantly improved global reach; (ii) United brings 76 unique domestic and 17 unique international destinations to Continental, while Continental brings 40 unique domestic and 92 unique international destinations to United; (iii) the combined carrier would have well-placed domestic hubs in the east, west, south and midwest, serving 350 destinations worldwide; and (iv) the carriers also share a firm commitment to safety and excellence in customer service;

that UAL expects the combined company to have the financial strength to invest in the company's growth, while maintaining the flexibility and liquidity necessary to weather cyclical conditions in the airline industry;

that at the time the UAL board of directors approved the merger, the transaction was estimated to deliver between \$1.0 billion to \$1.2 billion in net annual synergies by 2013, including between \$800 million and \$900 million of incremental annual revenue synergies that will be derived from three primary sources: (i) expanded network reach, presence and connecting opportunities that will provide customers with improved choice and convenience, driving incremental traffic and revenue and making the airline more attractive to corporate customers; (ii) fleet optimization that will allow the combined carrier to put the right aircraft into each market to better match capacity with demand; and (iii) an enhanced loyalty program that is more attractive to customers, retailers and partners. Additionally, that at the time the UAL board of directors approved the merger, the transaction was expected to generate approximately \$200 million to \$300 million in annual net cost synergies, which will be achieved through streamlining corporate overhead functions, moving to common IT systems, right-sizing facilities and driving purchasing and operational efficiencies;

that United's and Continental's complementary networks and common membership in Star Alliance are expected to ease the combination of operations that have complicated past mergers within the airline industry;

the current and prospective competitive climate of the global airline industry in which United and Continental operate, including the potential for further consolidation, and the alternatives reasonably available to UAL, including strategic alliances and other acquisition candidates, if it did not pursue the transaction; and

the financial analyses presented by J.P. Morgan and Goldman Sachs to the UAL board of directors described below under **Opinions of UAL's Financial Advisors' Summary of Material Financial**



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Analyses, and the respective opinions of J.P. Morgan and Goldman Sachs rendered to the UAL board of directors to the effect that, as of May 2, 2010 and based upon and subject to the factors and assumptions set forth in their respective written opinions, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to UAL. See Opinions of UAL's Financial Advisors.

In addition to considering the factors described above, the UAL board of directors also considered the following factors:

its knowledge of UAL's business, operations, financial condition, earnings and prospects and of Continental's business, operations, financial condition, earnings and prospects, taking into account the results of UAL's due diligence review of Continental;

the anticipated market capitalization, liquidity and capital structure of the combined company;

the projected financial results of UAL through 2014 as a standalone company and the ability of UAL to achieve strategic goals previously established by the UAL board of directors;

the fact that the exchange ratio of 1.05 shares of UAL common stock for each share of Continental common stock is fixed, which the UAL board of directors believed was consistent with market practice for mergers of this type and with the strategic purpose of the merger; and

the terms and conditions of the merger agreement and the likelihood of completing the merger on the anticipated schedule. The UAL board of directors weighed the foregoing against a number of potentially negative factors, including:

the restrictions on the conduct of UAL's business during the period between execution of the merger agreement and the consummation of the merger;

the potential effect of the merger on UAL's overall business, including its relationships with customers, employees, suppliers and regulators;

the challenges inherent in combining the businesses, operations and workforces of two major airlines, including the potential for (i) unforeseen difficulties in integrating operations and systems, (ii) the possible distraction of management attention for an extended period of time and (iii) difficulties in assimilating employees, including employees from the companies' pilot groups;

the risk of not capturing all the anticipated operational synergies and cost savings between UAL and Continental and the risk that other anticipated benefits may not be realized;

the substantial costs to be incurred in connection with the merger, including approximately \$1.2 billion in one-time cash costs to integrate the businesses of UAL and Continental;

the risk that governmental entities may oppose or refuse to approve the merger or impose conditions on UAL and/or Continental prior to approving the merger that may adversely impact the ability of the combined company to realize synergies that are projected to occur in connection with the merger;

the risk that, despite the combined efforts of UAL and Continental prior to the consummation of the merger, the combined company may lose key personnel;

the risk that the terms of the merger agreement, including provisions relating to the payment of a termination fee under specified circumstances, could have the effect of discouraging other parties that would otherwise be interested in a transaction with UAL from proposing such a transaction; and

the risks of the type and nature described under the heading Risk Factors, and the matters described under the heading Special Note Regarding Forward-Looking Statements.

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This discussion of the information and factors considered by UAL's board of directors in reaching its conclusions and recommendation includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the UAL board of directors did not find it useful and did not attempt to assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to recommend that UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL's amended and restated certificate of incorporation. In addition, individual members of the UAL board of directors may have assigned different weights to different factors. The UAL board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, UAL's management and outside legal and financial advisors.

**The UAL board of directors unanimously approved the merger agreement and UAL's amended and restated certificate of incorporation and determined that the merger agreement and the transactions contemplated thereby, including the merger, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and the adoption of UAL's amended and restated certificate of incorporation, are in the best interests of UAL and its stockholders and that the adoption of UAL's amended and restated certificate of incorporation is advisable. The UAL board of directors unanimously recommends that the UAL stockholders vote FOR the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and FOR the proposal to adopt UAL's amended and restated certificate of incorporation.**

### **Opinions of UAL's Financial Advisors**

#### *Opinion of J.P. Morgan Securities Inc.*

At the meeting of the board of directors of UAL on April 30, 2010, J.P. Morgan rendered its oral opinion to the board of directors of UAL that, as of this date and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio of 1.05 shares of UAL common stock to be issued in exchange for each share of Continental common stock pursuant to the merger agreement was fair from a financial point of view to UAL. J.P. Morgan subsequently confirmed its oral opinion by delivering its written opinion, dated May 2, 2010, to the board of directors of UAL.

**The full text of the written opinion of J.P. Morgan, dated May 2, 2010, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex B to this joint proxy statement/prospectus. The summary of J.P. Morgan's opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Stockholders are urged to read this opinion carefully and in its entirety. J.P. Morgan's opinion was provided to the board of directors of UAL in connection with and for the purposes of its evaluation of the merger, addressed only the fairness from a financial point of view of the exchange ratio in the merger to UAL as of the date of the opinion and does not constitute a recommendation to any stockholder of UAL as to how the stockholder should vote with respect to the proposals to be considered at the UAL special meeting or any other matter. J.P. Morgan's opinion did not address UAL's underlying business decision to engage in the merger.**

In arriving at its opinion, J.P. Morgan, among other things,

reviewed a draft, dated May 2, 2010, of the merger agreement;

reviewed certain publicly available business and financial information concerning UAL and Continental and the industries in which they operate;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration received for such companies;

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compared the financial and operating performance of UAL and Continental with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of the UAL common stock and the Continental common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by or at the direction of the managements of UAL and Continental relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses and synergies projected by the management of UAL to result from the merger; and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with certain members of the management of UAL and Continental with respect to certain aspects of the merger, and the past and current business operations of UAL and Continental, the financial condition and future prospects and operations of UAL and Continental, the effects of the merger on the financial condition and future prospects of UAL, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by UAL and Continental or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify (nor did J.P. Morgan assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of UAL or Continental under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, including the synergies projected by the management of UAL, J.P. Morgan assumed that they had been reasonably prepared based on assumptions reflecting the best then available estimates and judgments by the applicable management as to the expected future results of operations and financial condition of UAL and Continental to which such analyses or forecasts, including the synergies, relate. J.P. Morgan expressed no view as to such analyses or forecasts (including the synergies) or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement will qualify as a tax-free reorganization for United States federal income tax purposes and have the tax consequences described in discussions with, and materials furnished to J.P. Morgan by, representatives of UAL, and will be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respects from the draft thereof furnished to J.P. Morgan. J.P. Morgan also assumed that the representations and warranties made by UAL and Continental in the merger agreement and the related agreements are and will be true and correct in all ways material to its analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to UAL with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on UAL or Continental or on the contemplated benefits of the merger.

J.P. Morgan was furnished with projections prepared by or at the direction of the managements of UAL and Continental relating to their respective businesses, as well as projections prepared by UAL's management as to the cost savings and related expenses and synergies to result from the merger. Neither UAL nor Continental publicly discloses internal management projections of the type provided to J.P. Morgan in connection with J.P. Morgan's analysis of the merger, and such projections were not prepared with a view toward public disclosure. These projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such projections.

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J.P. Morgan's opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, May 2, 2010. Subsequent developments may affect J.P. Morgan's opinion and J.P. Morgan does not have any obligation to update, revise, or reaffirm its opinion. J.P. Morgan's opinion was limited to the fairness, from a financial point of view, to UAL of the exchange ratio in the proposed merger, and J.P. Morgan expressed no opinion as to the fairness of the merger to the holders of any class of securities, creditors or other constituencies of UAL or as to the underlying decision by UAL to engage in the merger. Furthermore, J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation paid or payable to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the exchange ratio in the merger or with respect to the fairness of any such compensation. J.P. Morgan expressed no opinion as to the price at which the UAL common stock or the Continental common stock will trade at any future time. In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. J.P. Morgan was selected on the basis of such experience and its familiarity with UAL, Continental and other companies in the industries in which they operate to advise UAL in connection with the merger and to deliver a fairness opinion to the UAL board of directors addressing the fairness from a financial point of view of the exchange ratio in the merger to UAL as of the date of such opinion.

Under an engagement letter between UAL and J.P. Morgan, for services rendered in connection with the merger, J.P. Morgan will be entitled to receive a fee of \$23 million, \$2 million of which has been previously paid and \$21 million of which is contingent upon completion of the merger. UAL has also agreed to reimburse J.P. Morgan for its reasonable expenses incurred in connection with its services, including the reasonable fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities, including liabilities arising under the federal securities laws.

During the two years preceding the date of its opinion, J.P. Morgan and its affiliates had commercial or investment banking relationships with UAL for which J.P. Morgan and its affiliates received customary compensation. J.P. Morgan's services during this period included, but were not limited to, acting as joint bookrunner on UAL's 2010 issuance of \$500,000,000 of 9.875% senior secured notes and \$200,000,000 of 12% senior second lien notes, joint bookrunner on UAL's 2009 \$778,000,000 Enhanced Equipment Trust Certificates offering and bookrunner on UAL's \$175,000,000 convertible security offering. J.P. Morgan and its affiliates collectively own approximately 3.75% of the outstanding shares of the UAL common stock, including shares issuable on the conversion of convertible securities and exercise of options held by J.P. Morgan and its affiliates. J.P. Morgan received aggregate fees of approximately \$22.4 million from UAL for providing investment banking services. During such time period, J.P. Morgan did not render any investment banking services to Continental. In addition, the commercial banking affiliate of J.P. Morgan is an agent bank and a lender under outstanding credit facilities of UAL, is party to credit card processing and debit card marketing agreements with UAL and is party to credit card processing, debit card marketing and bankcard joint marketing agreements with Continental, for which it receives customary compensation or other financial benefits. In the ordinary course of business, J.P. Morgan and its affiliates may actively trade the debt and equity securities of UAL or Continental for their own account or for the accounts of their customers and, accordingly, may at any time hold long or short positions in such securities.

### ***Opinion of Goldman, Sachs & Co.***

At the meeting of the board of directors of UAL on April 30, 2010, Goldman Sachs rendered its oral opinion to the board of directors of UAL, which it subsequently confirmed by delivery of its written opinion, dated May 2, 2010, that, as of the date of its written opinion and based upon and subject to the factors set forth therein, the exchange ratio of 1.05 shares of UAL common stock to be issued in exchange for each share of Continental common stock pursuant to the merger agreement was fair from a financial point of view to UAL.



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The full text of the written opinion of Goldman Sachs, dated May 2, 2010, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus. The summary of Goldman Sachs' opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Stockholders are urged to read this opinion carefully and in its entirety. Goldman Sachs provided its opinion for the information and assistance of the board of directors of UAL in connection with its consideration of the proposed merger. Goldman Sachs' opinion addresses only the fairness from a financial point of view of the exchange ratio pursuant to the merger agreement to UAL as of the date of the opinion and does not constitute a recommendation as to how any holder of the UAL common stock should vote with respect to the proposals to be considered at the UAL special meeting or any other matter. Goldman Sachs' opinion did not address UAL's underlying business decision to engage in the merger or the relative merits of the merger as compared to any strategic alternatives that may have been available to UAL.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of UAL and Continental for the five fiscal years ended December 31, 2009;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of UAL and Continental;

certain other communications from UAL and Continental to their respective stockholders;

certain publicly available research analyst reports for UAL and Continental;

certain internal financial analyses and forecasts for UAL prepared by its management and certain internal financial analyses and forecasts for Continental prepared by its management, in each case, as approved by UAL for use by Goldman Sachs; and

certain cost savings and operating synergies projected by the management of UAL to result from the merger and approved by UAL for use by Goldman Sachs.

Goldman Sachs also held discussions with members of the senior managements of UAL and Continental regarding their assessment of the past and current business operations, financial condition and future prospects of UAL and Continental, respectively, and the strategic rationale for, and the potential benefits of, the merger; reviewed the reported price and trading activity for the shares of UAL common stock and the shares of Continental common stock; compared certain financial and stock market information for UAL and Continental with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the airline industry specifically and in other industries generally; and performed such other studies and analyses and considered such other factors, as it deemed appropriate.

For purposes of rendering its opinion, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it, and did not assume any responsibility for any such information. In that regard, with the consent of the board of directors of UAL, Goldman Sachs assumed that the forecasts for UAL and Continental prepared by their respective managements and the synergy projections prepared by the management of UAL were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of UAL. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of UAL or Continental or any of their respective subsidiaries, nor was any such evaluation or appraisal furnished to Goldman Sachs. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will



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be obtained without any adverse effect on UAL or Continental or on the expected benefits of the merger in any way meaningful to its analysis. Goldman Sachs also assumed that the merger will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion did not address the underlying business decision of UAL to engage in the merger, or the relative merits of the merger as compared to any strategic alternatives that may have been available to UAL. Goldman Sachs' opinion addresses only the fairness from a financial point of view to UAL, as of May 2, 2010, of the exchange ratio pursuant to the merger agreement. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the merger or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the merger, including, without limitation, the fairness of the merger to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of UAL or Continental; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of UAL or Continental, or any class of such persons in connection with the merger, whether relative to the exchange ratio pursuant to the merger agreement or otherwise. Goldman Sachs did not express any opinion as to the prices at which shares of the UAL common stock will trade at any time or as to the impact of the merger on the solvency or viability of UAL or Continental or the ability of UAL or Continental to pay its obligations when they come due. Goldman Sachs' opinion did not address any legal, regulatory, tax or accounting matters. Goldman Sachs' opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, May 2, 2010 and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after May 2, 2010. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, commercial banking, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of third parties, UAL, Continental and any of their respective affiliates or any currency or commodity that may be involved in the merger for their own account and for the accounts of their customers. Goldman Sachs has acted as financial advisor to UAL in connection with, and has participated in certain of the negotiations leading to, the merger.

Goldman Sachs has provided certain investment banking and other financial services to UAL and its affiliates from time to time for which its investment banking division has received, and may receive, compensation, including, but not limited to, having acted as co-lead underwriter with respect to public offerings of UAL's 6.0% convertible senior notes due 2029 (aggregate principal amount \$300,000,000) and 19,000,000 shares of the UAL common stock in October 2009, as co-managing underwriter with respect to a public offering of UAL's Series 2009-1 pass through certificates (aggregate principal amount \$659,107,000) in October 2009 and as co-lead underwriter with respect to a public offering of UAL's Series 2009-2 pass through certificates (aggregate principal amount \$810,337,000) in November 2009. Goldman Sachs received aggregate fees of approximately \$9.5 million from UAL for providing investment banking services. Goldman Sachs also has provided certain investment banking and other financial services to Continental and its affiliates from time to time for which its investment banking division has received, and may receive, compensation, including, but not limited to, having acted as co-lead underwriter with respect to a public offering of Continental's Series 2009-1 pass through certificates (aggregate principal amount \$389,687,000) in June 2009, as joint book-running manager with respect to a public offering of Continental's 4.5% convertible notes due 2015 (aggregate principal amount \$200,000,000) in December 2009, and as co-lead underwriter with respect to a public offering of Continental's Series 2009-2 pass through certificates (aggregate principal amount \$644,437,000) in October 2009. Goldman Sachs received

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aggregate fees of approximately \$5.8 million from Continental for providing investment banking services. Goldman Sachs also may provide investment banking and other financial services to UAL and Continental and their respective affiliates in the future for which its investment banking division may receive compensation.

UAL's board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the merger. Under an engagement letter between UAL and Goldman Sachs, for the services of Goldman Sachs in connection with the merger, Goldman Sachs will be entitled to receive a fee of \$20 million, \$1.75 million of which has been previously paid and \$18.25 million of which is contingent upon completion of the merger. UAL has also agreed to reimburse Goldman Sachs for its expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of its engagement.

***Summary of Material Financial Analyses***

The following is a summary of the material financial analyses contained in the joint presentation that was made by J.P. Morgan and Goldman Sachs, which we refer to collectively as UAL's financial advisors, to the board of directors of UAL in connection with the rendering of their respective opinions described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by UAL's financial advisors, nor does the order of analyses described represent relative importance or weight given to those analyses by UAL's financial advisors. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of UAL's financial advisors' analyses. Except as otherwise noted, the following quantitative information is based on data as it existed, or was publicly available, on or before April 27, 2010, and is not necessarily indicative of current market conditions.

***Implied Multiples Analysis***

Based on the closing price of \$20.51 for the shares of the UAL common stock on April 27, 2010 and the number of fully-diluted shares of UAL common stock outstanding determined based on information in UAL's most recent SEC filings (applying the treasury stock method for options and the if-converted method for in-the-money convertible securities), UAL's financial advisors calculated a fully-diluted equity market capitalization for UAL of approximately \$4.34 billion. UAL's financial advisors also calculated an adjusted firm value for UAL of approximately \$15.87 billion by adding to UAL's fully-diluted equity market capitalization the amount of UAL's adjusted net debt as of March 31, 2010 based on information contained in UAL's most recent SEC filings. For purposes of their analyses, UAL's financial advisors calculated a company's adjusted net debt as of the date indicated in its most recent SEC filings by adding to a company's net debt (debt less unrestricted cash) as of such date the result obtained by multiplying the company's rent expense for the prior four quarters by a capitalization rate of 7x (a widely accepted industry standard), adjusted to exclude the in-the-money convertible securities. Using the same methodology and based on the closing price of \$21.62 for the shares of the Continental common stock on April 27, 2010 and information contained in Continental's most recent SEC filings, UAL's financial advisors calculated a fully-diluted equity market capitalization for Continental of approximately \$3.53 billion and an adjusted firm value for Continental of approximately \$12.65 billion. Using the closing prices referenced above, the adjusted net debt amounts and the adjusted firm values of UAL and Continental, the actual financial results of both companies for 2009 and the median of selected analyst estimates for both companies published by International Broker's Estimate System, or IBES, for 2010 and 2011, UAL's financial advisors calculated the following implied multiples with respect to both companies:

multiple of adjusted firm value as of April 27, 2010 to earnings before interest, taxes, depreciation, amortization and rent, or EBITDAR, for 2009;

multiple of adjusted firm value to estimated EBITDAR for 2010 and 2011;

multiple of closing price per share as of April 27, 2010 to estimated earnings per share, or P/E, for 2010 and 2011;

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multiple of adjusted net debt amount to 2009 EBITDAR; and

multiple of adjusted net debt amount to estimated EBITDAR for 2010 and 2011.

The results of these calculations are presented as follows:

	UAL			Continental		
	2009A	2010E	2011E	2009A	2010E	2011E
Adj. Firm Value /EBITDAR	14.1x	5.3x	5.0x	8.9x	5.9x	5.5x
P/E		8.7x	5.6x		9.0x	8.2x
Adj. Net Debt/EBITDAR	10.3x	3.9x	3.6x	6.4x	4.3x	4.0x

*Comparable Companies Analysis*

UAL's financial advisors reviewed and compared certain financial and operating performance metrics for UAL and Continental with similar metrics of the following selected publicly traded companies:

American Airlines, Inc.

Delta Air Lines, Inc.

US Airways, Inc.

None of the selected companies is identical to UAL or Continental. However, the selected companies were chosen because they are publicly traded companies in the airline industry with operations that, for purposes of UAL's financial advisors' analysis, may be considered substantially similar to those of UAL and Continental.

With respect to each of the three companies, UAL's financial advisors calculated an adjusted firm value by multiplying the number of fully diluted outstanding shares determined based on information in the company's most recent SEC filings (applying the treasury stock method for options and the if-converted method for in-the-money convertible securities) by the company's closing share price on April 27, 2010 and adding to the result the company's adjusted net debt amount as determined based on information contained in its most recent SEC filings using the methodology for calculating adjusted net debt described under *Implied Multiple Analysis* above. Using the median of selected analyst estimates of 2010 published by IBES, UAL's financial advisors derived multiples of adjusted firm value to estimated 2010 EBITDAR for each selected company. UAL's financial advisors also calculated the same multiples for UAL and Continental based on estimates of 2010 EBITDAR prepared by their respective managements and the median of selected analyst estimates published by IBES. The results of these calculations are as follows:

	Adj. Firm Value/ 2010E EBITDAR
<b>Selected Companies</b>	
American Airlines, Inc.	6.9x
Delta Air Lines, Inc.	5.5x
US Airways, Inc.	6.5x
<b>UAL</b>	
Management estimates	5.7x
IBES estimates	5.3x
<b>Continental</b>	
Management estimates	6.8x
IBES estimates	5.9x

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UAL's financial advisors calculated ranges of implied values for the shares of UAL common stock and the shares of Continental common stock by applying the range of multiples of adjusted firm value to 2010 estimated EBITDAR set forth above for the three selected companies to estimates of 2010 EBITDAR for UAL and Continental prepared by their respective managements and to the median of selected analyst estimates of 2010 for UAL and Continental published by IBES. Using the ranges of implied values for the shares of UAL common

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stock and for the shares of Continental common stock, UAL's financial advisors derived implied exchange ratios ranging from 0.141x to 1.287x based on management estimates and implied exchange ratios ranging from 0.371x to 1.444x based on the median of selected analyst estimates published by IBES. UAL's financial advisors noted that the exchange ratio of 1.05 shares of UAL common stock to be issued for each share of Continental common stock pursuant to the merger agreement is within each of these ranges.

*Historical Exchange Ratio Analysis*

UAL's financial advisors reviewed the daily closing prices for the shares of the UAL common stock and the Continental common stock over the period from April 25, 2008 to April 27, 2010. By dividing the closing price of the shares of the Continental common stock for each day during this period by the closing price of the shares of the UAL common stock for the same day, UAL's financial advisors derived implied exchange ratios ranging from 0.957x to 3.067x. UAL's financial advisors also calculated the average of those implied exchange ratios over the entire period from April 25, 2008 to April 27, 2010 as well as over the 1-year, 6-month, 3-month, 1-month and 1-week periods ending April 27, 2010. In addition, UAL's financial advisors calculated an implied exchange ratio of 1.054x by dividing the closing price of the shares of the Continental common stock as of April 27, 2010 by the closing price of the shares of the UAL common stock for the same day. The results of this analysis are presented as follows:

	<b>Implied Exchange Ratio</b>
Since April 25, 2008	1.731x
1-Year	1.837x
6-Month	1.417x
3-Month	1.192x
1-Month	1.058x
1-Week	1.006x
As of April 27, 2010	1.054x

*Contribution Analysis*

UAL's financial advisors calculated implied multiples of the adjusted firm value they calculated for each of UAL and Continental as described above under Implied Multiples Analysis to estimates of each company's available seat miles (ASM), revenue, EBITDAR and operating cash flow on a stand-alone basis for the years 2010 through 2012 provided by their respective management. Using these multiples calculated for each company, UAL's financial advisors derived implied weighted average multiples of adjusted firm value to available seat miles (ASM), revenue, EBITDAR and operating cash flow for the years 2010 through 2012. UAL's financial advisors then applied these weighted average multiples to each company's management's estimates of its stand-alone ASM, revenue, EBITDAR and operating cash flow for the years 2010 through 2012 to derive, with respect to each estimate, an implied adjusted firm value for each company. UAL's financial advisors then subtracted from each implied adjusted firm value the applicable company's adjusted net debt as of March 31, 2010 determined based on information contained in each company's most recent SEC filings to derive, with respect to each estimate, an implied equity value for each company. Using these implied equity values, UAL's financial advisors calculated the implied percentage contribution of UAL and Continental to the equity of the combined company with respect to estimates of each company's ASM, revenue, EBITDAR and operating cash flow on a stand-alone basis for the years 2010 through 2012 provided by its management. UAL's financial advisors similarly calculated UAL and Continental's implied percentage contribution to the equity of the combined company with respect to estimates of each company's revenue and EBITDAR on a stand-alone basis for the years 2010 and 2011 based upon the median of selected analyst estimates published by IBES.

Based on the closing prices for the shares of UAL common stock and Continental common stock as of April 27, 2010 and information contained in UAL and Continental's most recent SEC filings, UAL's financial advisors calculated that UAL and Continental's respective implied percentage contribution to the equity of the combined company based on each company's fully-diluted equity market capitalization and each company's adjusted firm value. In addition, UAL's financial advisors calculated UAL's and Continental's respective implied

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percentage contribution to the equity of the combined company based on most recent price targets published by IBES for the shares of the UAL common stock and the Continental common stock.

The results of these calculations are presented as follows:

	UAL	Continental
<b>ASM</b>		
2010 management estimates	56.6%	43.4%
2011 management estimates	54.9%	45.1%
2012 management estimates	51.4%	48.6%
<b>Revenue</b>		
2010 management estimates	63.1%	36.9%
2010 IBES estimates	61.7%	38.3%
2011 management estimates	63.0%	37.0%
2011 IBES estimates	60.9%	39.1%
2012 management estimates	61.4%	38.6%
<b>EBITDAR</b>		
2010 management estimates	70.5%	29.5%
2010 IBES estimates	65.3%	34.7%
2011 management estimates	78.8%	21.2%
2011 IBES estimates	64.0%	36.0%
2012 management estimates	77.4%	22.6%
<b>Operating Cash Flow</b>		
2010 management estimates	62.0%	38.0%
2011 management estimates	62.4%	37.6%
2012 management estimates	67.5%	32.5%
<b>Market Valuations</b>		
Equity market capitalization	55.1%	44.9%
Adjusted firm value	55.1%	44.9%
IBES median price targets	57.8%	42.2%

Based on the exchange ratio of 1.05 shares of UAL common stock to be issued for each share of Continental common stock pursuant to the merger agreement, UAL's financial advisors then calculated the expected percentage equity ownership of UAL and Continental's stockholders in the combined company to be 55.2% for UAL stockholders and 44.8% for Continental stockholders. In addition, using UAL and Continental's respective implied percentage contribution to the equity of the combined company reflected in the table above, UAL's financial advisors derived implied exchange ratios ranging from 0.371x to 1.444x. UAL's financial advisors noted that the exchange ratio of 1.05 shares of UAL common stock to be issued for each share of Continental common stock pursuant to the merger agreement is within this range.

*Discounted Cash Flow Analysis J.P. Morgan*

J.P. Morgan performed an illustrative discounted cash flow analysis for each of UAL and Continental to determine their respective present values per share on a stand-alone basis, without giving effect to the value of any synergies expected from the merger. A discounted cash flow analysis is a method of evaluating an asset using estimates of the future unlevered free cash flows generated by assets and taking into consideration the time value of money with respect to those future cash flows by calculating their present value. Present value refers to the current value of one or more future unlevered free cash flows from the asset, which is referred to as that asset's cash flows, and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital,



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capitalized returns and other appropriate factors. Terminal value refers to the capitalized value of all cash flows from an asset for periods beyond the final forecast period.

Using discount rates ranging from 9.5% to 10.5% for UAL and 9.0% to 10.0% for Continental, J.P. Morgan derived illustrative ranges of implied enterprise values for UAL and Continental by discounting to present values (i) estimates of unlevered free cash flows of each company for the years 2010 through 2019, and (ii) illustrative terminal values of each company derived by applying a perpetuity growth rate of 2% to estimates of the unlevered free cash flow of each company for 2019. In performing this analysis, J.P. Morgan used the estimates prepared by the management of each of UAL and Continental for their respective companies for the years 2010 through 2014 and estimates for both companies for the years 2015 through 2019 extrapolated from managements' estimates for the years 2010 through 2014. These extrapolated estimates for both companies were reviewed and approved by UAL management.

Based on this analysis, J.P. Morgan derived a range of implied exchange ratios by comparing the present value per share of Continental common stock at the high-end of the calculated range to the present value per share of UAL common stock at the low-end of the calculated range and the present value per share of Continental common stock at the low-end of the calculated range to the present value per share of UAL common stock at the high-end of the calculated range to derive illustrative implied exchange ratios ranging from 0.873x to 1.341x. J.P. Morgan noted that the exchange ratio of 1.05 shares of UAL common stock to be issued for each share of Continental common stock pursuant to the merger agreement is within this range.

Based on the illustrative ranges of present values per share of UAL common stock and Continental common stock calculated as described above, J.P. Morgan calculated that UAL's implied contribution to the equity of the combined company ranged from 48.6% to 62.8%.

In addition, based on the illustrative ranges of present values per share of UAL common stock and Continental common stock calculated as described above and the 55.2% expected percentage equity ownership of UAL stockholders in the combined company based on the proposed merger exchange ratio of 1.05, J.P. Morgan calculated that the implied impact of the merger on the present value per share of UAL common stock ranged from \$(3.67) to \$2.94, without giving effect to the value of any synergies expected from the merger. J.P. Morgan then applied discount rates ranging from 9.5% to 10.5% to the net amount of cost savings and operating synergies projected by the UAL management to result from the merger, referred to as UAL management's estimated synergies, and divided the results by the number of pro forma fully diluted shares outstanding of the combined company based on the merger exchange ratio of 1.05 to derive illustrative present values of the estimated synergies ranging from \$11.00 to \$12.60 per share of UAL common stock. By adding these ranges, J.P. Morgan calculated that the total implied impact of the merger on the present value per share of UAL common stock ranged from \$7.33 to \$15.55.

*Discounted Cash Flow Analysis – Goldman Sachs*

Goldman Sachs performed an illustrative discounted cash flow analysis for each of UAL and Continental to determine their respective present values per share on a stand-alone basis, without giving effect to the value of any synergies expected from the merger. Based on management estimates for both companies and using discount rates ranging from 10.5% to 12.5% for UAL, reflecting estimates of UAL's weighted average cost of capital, and 9.5% to 11.5% for Continental, reflecting estimates of Continental's weighted average cost of capital, Goldman Sachs derived illustrative ranges of implied enterprise values for UAL and Continental by discounting to present values as of March 31, 2010 (i) estimates of unlevered free cash flows of each company for 2010 through 2014, and (ii) illustrative terminal values of each company as of December 31, 2014 derived by applying perpetuity growth rates ranging from 1.5% to 2.5% to estimates of the unlevered free cash flow of each company for 2014.

To calculate the illustrative ranges of present values per share of UAL common stock and Continental common stock, Goldman Sachs subtracted net debt amounts for UAL and Continental as of March 31, 2010 as reflected in each company's most recent SEC filings from the respective illustrative ranges of implied enterprise

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values for each company derived as described above and divided the ranges of results by the number of each company's fully diluted shares outstanding as reflected in each company's most recent SEC filings. Goldman Sachs then compared the present value per share of Continental common stock at the high-end of the calculated range to the present value per share of UAL common stock at the high-end of the calculated range and the present value per share of Continental common stock at the low-end of the calculated range to the present value per share of UAL common stock at the low-end of the calculated range to derive illustrative implied exchange ratios ranging from 0.90x to 1.16x. Goldman Sachs noted that the exchange ratio of 1.05 shares of UAL common stock to be issued for each share of Continental common stock pursuant to the merger agreement is within this range.

In addition, based on the illustrative ranges of present values per share of UAL common stock and Continental common stock calculated as described above and the 55.2% expected percentage equity ownership of UAL stockholders in the combined company based on the proposed merger exchange ratio of 1.05, Goldman Sachs analyzed the implied impact of the merger on the present value per share of UAL common stock. As part of this analysis, Goldman Sachs applied discount rates ranging from 10.0% to 12.0% and perpetuity growth rates ranging from 1.5% to 2.5% to UAL management's projected synergies and divided the results by the number of pro forma fully diluted shares outstanding of the combined company based on the merger exchange ratio of 1.05. Based on this analysis, Goldman Sachs calculated that the total implied impact of the merger on the present value per share of UAL common stock ranged from \$7.21 to \$16.72.

### ***General***

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the opinions of UAL's financial advisors. In arriving at their fairness determination, UAL's financial advisors considered the results of all of their analyses and did not attribute any particular weight to any factor or analysis considered by them. Rather, UAL's financial advisors made their determination as to fairness on the basis of their experience and professional judgment after considering the results of all of their analyses. No company used in the above analyses as a comparison is directly comparable to UAL or Continental.

The analyses by UAL's financial advisors do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of UAL, Continental, J.P. Morgan or Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecasts.

The exchange ratio of 1.05 shares of UAL common stock to be issued in exchange for each share of Continental common stock pursuant to the merger agreement was determined through arm's-length negotiations between UAL and Continental and was approved by the UAL board of directors. UAL's financial advisors provided advice to UAL during these negotiations. UAL's financial advisors did not, however, recommend any specific exchange ratio to UAL or the UAL board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for the merger.

As described above, the respective fairness opinions of UAL's financial advisors rendered to the UAL board of directors were one of many factors taken into consideration by the UAL board of directors in making its determination to approve the merger agreement and the transactions contemplated by it, including the merger. The foregoing summary does not purport to be a complete description of the analyses performed by UAL's financial advisors in connection with the fairness opinions and is qualified in its entirety by reference to the written opinions of J.P. Morgan and Goldman Sachs attached as Annex B and Annex C, respectively.

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### **Continental's Reasons for the Merger; Recommendation of the Continental Board of Directors**

In approving the merger agreement and recommending its adoption by Continental stockholders, Continental's board of directors considered a number of factors and a substantial amount of information presented by and reviewed and discussed with Continental's management and legal and financial advisors. The principal factors that the Continental board believes support its approval and recommendation of the merger with UAL are:

the current and prospective competitive climate of the global airline industry in which Continental and UAL operate, including increasing competition, potential consolidation of other air carriers and changes in the composition and value of global alliances, as well as the impact of such factors on the strategic alternatives reasonably available to Continental if it did not pursue the merger;

the expectation that the merger will create a more competitive airline than Continental could create on a standalone basis, primarily because the combined company would be one of the world's largest airlines with an expanded and balanced global network as a result of Continental's routes in the southern and northeastern United States, Europe and Latin America and United's routes in the midwestern, southwestern and western United States and Asia;

management's estimate, consistent with UAL's management's estimate, that the combination of Continental and UAL would create between \$1.0 billion and \$1.2 billion in net annual synergies by 2013, including significant incremental annual revenues, as a result of more effective aircraft utilization, a more comprehensive and diversified route system, an expanded loyalty program and cost synergies from reduced overhead and improved operational efficiency, which synergies would not be achievable without completing the merger;

management's belief that the combined company would have a strengthened balance sheet and increased liquidity, in part as a result of synergies and increased scale, that should provide both the financial strength and flexibility to weather cyclical conditions in the airline industry and a foundation for future growth;

management's belief that Continental's and United's complementary networks and common membership in Star Alliance, as well as the timing of the amendment periods of both Continental's and United's collective bargaining agreements that allow for a single negotiation with both companies' labor groups, would ease the combination of operations that have complicated past mergers within the airline industry;

the structure of the transaction as a merger of equals, including the provisions in the merger agreement that:

Mr. Smisek would initially be the chief executive officer and, when Mr. Tilton ceases to be non-executive chairman, the executive chairman of the board of directors of the combined company;

Mr. Tilton, UAL's chairman, president and chief executive officer, would initially be the non-executive chairman of the board of the combined company, a position he is expected to hold until the later of December 31, 2012 and the second anniversary of the closing of the merger;

the combined company's board of directors would have six independent directors designated by Continental, which is the same number of independent directors to be designated by UAL;

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the combined company's board committee assignments would be split evenly between designees from the Continental board of directors and designees from the UAL board of directors; and

the remaining members of management of the combined company would be drawn on a fair and equitable basis with a roughly equal number of people from the two companies;

the branding of the combined company, including the fact that the combined company would be operated using Continental's livery and logo; and

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the opinions of Lazard and Morgan Stanley, each dated as of May 2, 2010, to the Continental board of directors to the effect that, as of that date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth in such opinions, the exchange ratio set forth in the merger agreement was fair from a financial point of view to the holders of shares of Continental common stock. See Opinions of Continental's Financial Advisors.

In addition to considering the factors described above, Continental's board of directors also considered the following factors:

its knowledge of Continental's business, financial condition, results of operations and prospects as well as UAL's business, financial condition, results of operations and prospects, taking into account the results of Continental's due diligence review of UAL;

the projected financial results of Continental through 2014 as a standalone company;

that the fixed exchange ratio of 1.05 shares of UAL common stock for each share of Continental common stock, by its nature, would not adjust upwards to compensate for declines, or downwards to compensate for increases, in UAL's stock price prior to completion of the merger;

the fact that, based on the shares and convertible securities then outstanding, Continental stockholders would own approximately 45% of the combined company, and UAL stockholders would own approximately 55% of the combined company immediately following the effective time of the merger;

the review by the Continental board of directors, in consultation with Continental's legal and financial advisors, of the structure of the merger and terms of the merger agreement, including certain reciprocal provisions that may have the effect of discouraging alternative acquisition proposals involving Continental or UAL; and

the likelihood of completing the merger on the anticipated schedule.

The Continental board of directors also weighed the factors described above against a number of risks and other factors identified in its deliberations as weighing negatively against the merger:

the challenges inherent in combining the businesses, operations and workforces of two major airlines, including: (i) unforeseen difficulties in integrating operations and systems, (ii) uncertainties related to the timing of the operational merger of Continental and UAL operations under one operating certificate, prior to which time the combined company would not be able to fully realize the expected synergies and other anticipated benefits from the merger, (iii) the possible diversion of management focus and resources from operational matters and other strategic opportunities for an extended period of time and (iv) difficulties in integrating employees, including from the two companies' respective labor groups;

the fact that forecasts of future results of operations and synergies are necessarily estimates based on assumptions, and that for these and other reasons there is a risk of not capturing anticipated operational synergies and cost savings between Continental and UAL and the risk that other anticipated benefits might not be realized;

the substantial costs to be incurred in connection with the merger, including the substantial cash and other costs of integrating the businesses of Continental and United, as well as the transaction expenses arising from the merger;

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the potential effect of the merger on Continental's business and relationships with employees, customers, suppliers, regulators and the communities in which it operates;

the risk that governmental entities may not approve the merger or may impose conditions on Continental or UAL in order to gain approval for the merger that may adversely impact the ability of the combined company to realize the synergies that are projected to occur in connection with the merger;

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the fact that the combined company's name will be United and the combined company's headquarters will be in Chicago and the potential negative effects thereof on the morale of Continental employees;

the risk that certain key members of senior management might choose not to remain employed with Continental prior to the completion of the merger or with the combined company after the merger, particularly in light of the fact that the combined company's headquarters will be in Chicago;

the terms of the merger agreement, including generally reciprocal covenants relating to the two companies' conduct of their respective businesses during the period between the signing of the merger agreement and the completion of the merger;

the possibility that the merger might not be completed, or that completion might be unduly delayed, for reasons beyond Continental's and/or UAL's control and the potential negative impact that may have on Continental's business and relationships with employees, customers, suppliers, regulators and the communities in which it operates;

the fact that the designees from the Continental board of directors will represent less than half of the members of the combined company's board of directors because of the two labor representatives required to be elected to the combined company's board of directors pursuant to the combined company's amended and restated certificate of incorporation;

the fact that both Continental and UAL have significant debt that will mature in the near future and the potential impact of such debt maturities and their related refinancing on the combined company's liquidity;

the increased likelihood that up to \$500 million in principal amount of UAL's 8% senior unsecured notes will be issued to the Pension Benefit Guaranty Corporation because Continental's EBITDAR would be included in the combined company's consolidated calculation of the financial event triggering such issuances; and

the risks of the type and nature described under Risk Factors, and the matters described under Special Note Regarding Forward-Looking Statements.

The Continental board of directors also was apprised of certain interests in the merger of executive officers and the directors that may be different from, or in addition to, the interests of Continental stockholders generally as discussed in Interests of Continental Directors and Executive Officers in the Merger.

This discussion of the information and factors considered by Continental's board of directors in reaching its conclusions and recommendation includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, Continental's board of directors did not find it practicable, and did not attempt, to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement and to recommend that Continental stockholders vote in favor of the proposal to adopt the merger agreement.

The Continental board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, Continental's management and outside legal and financial advisors regarding certain of the matters described above. In considering the factors described above, individual members of the Continental board of directors may have given differing weights to different factors.

**The Continental board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Continental and its stockholders. The Continental board of directors unanimously recommends that Continental stockholders vote FOR the proposal to adopt the merger agreement.**





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### Opinions of Continental's Financial Advisors

#### *Opinion of Lazard Frères & Co. LLC*

In connection with the merger, on May 2, 2010, Lazard rendered its written opinion to the Continental board of directors that, as of such date, and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the exchange ratio was fair, from a financial point of view, to holders of Continental common stock.

**The full text of Lazard's opinion, dated May 2, 2010, which sets forth the assumptions made, procedures followed, factors considered and qualifications and limitations on the review undertaken by Lazard in connection with its opinion, is attached to this joint proxy statement/prospectus as Annex D and is incorporated into this joint proxy statement/prospectus by reference. We encourage you to read Lazard's opinion and this section carefully and in their entirety.**

Lazard's opinion was directed to the Continental board of directors for the information and assistance of the Continental board of directors in connection with its evaluation of the merger and addressed only the fairness as of the date of the opinion, from a financial point of view, of the exchange ratio to the holders of Continental common stock. Lazard's opinion was not intended to and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the merger or any matter relating thereto. Lazard's opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Lazard as of, the date of the opinion. Lazard assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the opinion. Lazard did not express any opinion as to the prices at which shares of Continental common stock or UAL common stock may trade at any time subsequent to the announcement of the merger.

In connection with its opinion, Lazard:

reviewed the financial terms and conditions of a draft, dated May 2, 2010, of the merger agreement;

reviewed certain publicly available historical business and financial information relating to Continental and UAL;

reviewed various financial forecasts and other data provided to Lazard by Continental relating to the business of Continental and UAL and financial forecasts and other data provided to Lazard by UAL relating to the business of UAL, and the projected synergies and other benefits, including the amount and timing thereof, anticipated by the managements of Continental and UAL to be realized from the merger, which are referred to in this joint proxy statement/prospectus as the expected synergies;

held discussions with members of the senior managements of Continental and UAL with respect to the businesses and prospects of Continental and UAL, respectively, and with respect to the expected synergies;

reviewed public information with respect to certain other companies in lines of business Lazard believed to be generally relevant in evaluating the businesses of Continental and UAL, respectively;

reviewed historical stock prices and trading volumes of Continental common stock and UAL common stock;

reviewed the potential pro forma financial impact of the merger on UAL based on the financial forecasts referred to above related to Continental and UAL; and

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conducted such other financial studies, analyses and investigations as Lazard deemed appropriate.

Lazard assumed and relied upon the accuracy and completeness of the foregoing information, without independent verification of such information. Lazard did not conduct any independent valuation or appraisal of any of the assets or liabilities (contingent or otherwise) of Continental or UAL or concerning the solvency or fair

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value of Continental or UAL, and was not furnished with such valuation or appraisal. With respect to the financial forecasts that Lazard reviewed, Lazard assumed, with the consent of Continental, that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Continental and UAL as to the future financial performance of Continental and UAL, respectively. With respect to the expected synergies, Lazard assumed, with the consent of Continental, that the estimates of the amounts and timing of the expected synergies were reasonable. Lazard further assumed, with the consent of Continental, that the financial forecasts and the expected synergies will be realized substantially in accordance with such estimates. Lazard assumed no responsibility for and expressed no view as to such forecasts or estimates or the assumptions on which they were based.

In rendering its opinion, Lazard assumed, with the consent of Continental, that the merger would be consummated on the terms described in the merger agreement, without any waiver or modification of any material terms or conditions. Representatives of Continental advised Lazard, and Lazard assumed, that the merger agreement, when executed, would conform to the draft reviewed by Lazard in all material respects. Lazard also assumed, with the consent of Continental, that obtaining the necessary regulatory or third party approvals and consents for the merger would not have an adverse effect on Continental, UAL or the combined company. Lazard further assumed that the merger would qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Lazard did not express any opinion as to any tax or other consequences that might result from the merger, nor did Lazard's opinion address any legal, tax, regulatory or accounting matters, as to which Lazard understood that Continental obtained such advice as it deemed necessary from qualified professionals. Lazard expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified in the opinion). In addition, Lazard expressed no view or opinion as to the fairness of the amount or nature of, or any other aspects relating to, the compensation to any officers, directors or employees of any parties to the merger, or class of such persons, relative to the exchange ratio or otherwise.

In rendering its opinion, Lazard was not authorized to, and did not, solicit indications of interest from third parties regarding a potential transaction with Continental, nor was it requested to consider, and its opinion does not address the relative merits of the merger as compared to any other transaction or business strategy in which Continental might engage or the merits of the underlying decision by Continental to engage in the merger.

Lazard is an internationally recognized investment banking firm providing a full range of financial advisory and other services. Lazard was selected to act as investment banker to Continental because of its qualifications, expertise and reputation in investment banking and mergers and acquisitions, as well as its familiarity with the business of Continental.

In connection with Lazard's services as financial advisor to Continental, Continental agreed to pay Lazard a fee of \$20 million in the aggregate, \$5 million of which was payable upon rendering of its opinion and \$15 million of which is contingent upon the consummation of the merger. Continental has also agreed to reimburse Lazard for certain expenses incurred in connection with Lazard's engagement and to indemnify Lazard and certain related persons under certain circumstances against certain liabilities that may arise from or related to Lazard's engagement, including certain liabilities under U.S. federal securities laws.

Lazard, as part of its investment banking business, is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts, and valuations for estate, corporate and other purposes. Lazard has in the past provided investment banking services to Continental and certain of its affiliates, including with respect to Continental's relationship to ExpressJet Holdings, Inc., for which Lazard has received compensation. In the two years prior to the date of its opinion, Lazard has received fees for such investment banking services aggregating \$1.6 million. In the future Lazard may provide investment banking services to UAL and certain of its affiliates for which Lazard may receive compensation. In addition, in the ordinary course of their respective businesses, Lazard Frères & Co. LLC and LFCM Holdings LLC (an entity indirectly owned in large part by managing directors of Lazard Frères & Co. LLC) and their respective affiliates may actively trade securities of Continental and/or the securities of UAL and certain of their respective affiliates for their own accounts and for the

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accounts of their customers and, accordingly, may at any time hold a long or short position in such securities. The issuance of Lazard's opinion was approved by the opinion committee of Lazard.

In connection with rendering its opinion, Lazard performed certain financial, comparative and other analyses that Lazard deemed appropriate in connection with rendering its opinion as summarized below under Summary of Joint Financial Analyses. The summary of the analyses and reviews described below under Summary of Joint Financial Analyses is not a complete description of the analyses and reviews underlying Lazard's opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and review and the application of those methods to particular circumstances, and, therefore, is not readily susceptible to partial analysis or summary description. Considering selected portions of these analyses and reviews or the summary contained in Summary of Joint Financial Analyses, without considering the analyses and reviews as a whole, could create an incomplete or misleading view of the analyses and reviews underlying Lazard's opinion. In arriving at its opinion, Lazard considered the results of all of its analyses and reviews and did not attribute any particular weight to any factor, analysis or review considered by it; rather, Lazard made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses and reviews.

For purposes of its analyses and reviews, Lazard considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Continental and UAL. No company, business or transaction used in Lazard's analyses and reviews as a comparison is identical to Continental, UAL or the merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses and reviews involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses or transactions used in Lazard's analyses and reviews. The estimates contained in Lazard's analyses and reviews and the ranges of valuations resulting from any particular analysis or review are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by Lazard's analyses and reviews. In addition, analyses relating to the value of companies, businesses or securities do not purport to be appraisals or to reflect the prices at which companies, businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Lazard's analyses are inherently subject to substantial uncertainty.

### *Opinion of Morgan Stanley & Co. Incorporated*

In connection with the merger, on May 2, 2010, Morgan Stanley rendered its written opinion to the Continental board of directors, to the effect that, as of such date and based upon and subject to the assumptions, procedures, factors, qualifications and limitations set forth therein, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of Continental common stock.

**The full text of Morgan Stanley's fairness opinion, dated May 2, 2010, is attached as Annex E to this joint proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Morgan Stanley in rendering its opinion. This summary is qualified in its entirety by reference to the full text of such opinion. Morgan Stanley's opinion is directed to the Continental board of directors, addresses only the fairness of the exchange ratio from a financial point of view to the holders of shares of Continental common stock, and does not address any other aspect of the merger or constitute a recommendation as to how any stockholders of Continental or UAL should vote at any stockholders' meetings held in connection with the merger.**

In arriving at its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of Continental and UAL, respectively;

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reviewed certain internal financial statements and other financial and operating data concerning Continental and UAL, respectively;

reviewed certain financial projections prepared by the managements of Continental and UAL, respectively;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the managements of Continental and UAL, respectively;

discussed the past and current operations and financial condition and the prospects of Continental, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of Continental;

discussed the past and current operations and financial condition and the prospects of UAL, including information relating to certain strategic, financial and operational benefits anticipated from the merger, with senior executives of UAL;

reviewed the reported prices and trading activity for the Continental common stock and the UAL common stock;

compared the financial performance of Continental and UAL and the prices and trading activity of the Continental common stock and the UAL common stock with that of certain other publicly-traded companies comparable with Continental and UAL, respectively, and their securities;

reviewed the pro forma impact of the merger on Continental's earnings and cash flow per share, and certain financial ratios;

participated in certain discussions and negotiations among representatives of Continental and UAL and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by Continental and UAL, and formed a substantial basis for its opinion. With respect to the financial projections, including information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of Continental and UAL of the future financial performance of Continental and UAL. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Internal Revenue Code of 1986, as amended. Morgan Stanley relied upon, without independent verification, the assessment by the managements of Continental and UAL of: (i) the strategic, financial and other benefits expected to result from the merger, (ii) the timing and risks associated with the integration of Continental and UAL; (iii) Continental's and UAL's ability to retain their key employees, respectively, and (iv) the validity of, and risks associated with, Continental's and UAL's existing and future technologies, intellectual property, products, services and business models. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of Continental and UAL and their respective legal, tax or regulatory advisors with respect to legal, tax

or regulatory matters. Morgan Stanley

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expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of Continental's officers, directors or employees, or any class of such persons, relative to the consideration to be received by the holders of shares of Continental common stock in the merger. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of Continental, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the date of its opinion. Events occurring after the date of Morgan Stanley's opinion may affect its opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to a business combination or other extraordinary transaction, involving Continental, nor did Morgan Stanley negotiate with any parties, other than UAL, with respect to a possible business combination involving Continental. Morgan Stanley's opinion does not address the relative merits of the merger as compared to any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

In connection with the review of the merger by the Continental board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described below should not be taken to be Morgan Stanley's view of the actual value of Continental or UAL. In performing its analyses, Morgan Stanley made assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions relate to factors that are beyond the control of Continental or UAL. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described below under "Summary of Joint Financial Analyses" solely as part of its analysis of the fairness of the exchange ratio pursuant to the merger agreement from a financial point of view to the holders of Continental's common stock and in connection with the delivery of its opinion to the Continental board of directors. These analyses do not purport to be appraisals or to reflect the prices at which shares of Continental common stock might actually trade.

The exchange ratio was determined through arm's-length negotiations between Continental and UAL and was approved by the Continental board of directors. Morgan Stanley provided advice to Continental during these negotiations. Morgan Stanley did not, however, recommend any specific exchange ratio to Continental or that any specific exchange ratio constituted the only appropriate merger consideration for the merger. In addition, Morgan Stanley's opinion did not in any manner address the prices at which the UAL common stock will trade at any time, and Morgan Stanley expressed no opinion or recommendation as to how stockholders of Continental or UAL should vote at the stockholders meetings to be held in connection with the merger.

Morgan Stanley's opinion and its presentation to the Continental board of directors was one of many factors taken into consideration by the Continental board of directors in deciding to approve the merger agreement. Consequently, the analyses as described below under "Summary of Joint Financial Analyses" should not be viewed as determinative of the view of the Continental board of directors with respect to the exchange ratio or of whether the Continental board of directors would have been willing to agree to a different exchange ratio. Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

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Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Morgan Stanley's securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of Continental, UAL, or any other company, or any currency or commodity, that may be involved in the merger, or any related derivative instrument.

Continental retained Morgan Stanley to act as its financial advisor in connection with the merger because of its qualifications, expertise and reputation. As compensation for its services, Continental has agreed to pay Morgan Stanley a fee of \$20 million in the aggregate, \$5 million of which was payable upon rendering of its opinion and \$15 million of which is contingent upon the consummation of the merger. Continental has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, Continental has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley's engagement. In the two years prior to the date hereof, Morgan Stanley has provided and is providing investment banking services for Continental and UAL and has received fees in connection with such services. In the two years prior to the date of its opinion, Morgan Stanley has received fees for such investment banking services aggregating \$8.2 million from Continental and \$21.9 million from UAL. Morgan Stanley may also seek to provide such services to Continental and UAL in the future and expects to receive fees for the rendering of these services.

### *Summary of Joint Financial Analyses*

The following is a summary of the material financial analyses reviewed with the Continental board of directors in connection with Lazard's and Morgan Stanley's respective opinions, each dated May 2, 2010.

**Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses. None of Continental, UAL, Lazard, Morgan Stanley or any other person assumes responsibility if future results are different from those discussed, whether or not any such difference is material.**

### *Historical Exchange Ratio Analysis*

Lazard and Morgan Stanley reviewed the stock price performance and trading volumes of Continental and UAL during various periods ending on April 7, 2010, the date after which UAL common stock prices may have been impacted by market speculation regarding a potential merger of US Airways Group, Inc. and UAL, and various periods ending on April 30, 2010, the last full trading day prior to the rendering of Lazard's and Morgan Stanley's opinions dated May 2, 2010.



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Lazard and Morgan Stanley then calculated historical exchange ratios on certain dates and during certain periods between October 7, 2009 and April 30, 2010 implied by dividing the Continental closing price or volume-weighted average price for the relevant date, or the average Continental closing price or volume-weighted average price for the relevant period, as the case may be, by the UAL closing price or volume-weighted average price for such date, or the UAL average price or volume-weighted average price for such period, as the case may be. Lazard and Morgan Stanley next compared the exchange ratio of 1.05x provided for in the merger agreement with historical exchange ratios for such dates and periods. The following table lists the implied exchange ratios for these dates and periods:

	Implied Exchange Ratios	
	Period Ending April 7, 2010	Period Ending April 30, 2010
Closing Price on April 7, 2010	1.08x	
Low / High Closing Price Since October 7, 2009	1.08x / 2.28x	
Low / High Closing Price Since November 10, 2009		0.96x / 1.87x
10-Day Volume-Weighted Average Price	1.11x	1.01x
30-Day Volume-Weighted Average Price	1.15x	1.05x
45-Day Volume-Weighted Average Price	1.20x	1.09x
Low / High Closing Price for 10-Day Period	1.03x / 1.18x	0.93x / 1.12x
Low / High Closing Price for 30-Day Period	0.97x / 1.49x	0.87x / 1.28x
Low / High Closing Price for 45-Day Period	0.85x / 1.88x	0.84 / 1.52x
Average Closing Price for 12-Month Period	1.66x	

*Equity Research Analyst Price Targets*

Lazard and Morgan Stanley reviewed selected public market trading price targets for Continental's common stock prepared and published by six equity research analysts that provided targets for both Continental and UAL prior to April 7, 2010 and April 30, 2010, respectively. Lazard and Morgan Stanley reviewed the most recent price target published by each analyst prior to each such date. These targets reflect each analyst's estimate of the future public market trading price of Continental common stock at the time the price target was published. At April 7, 2010, the range of selected equity analyst price targets for Continental common stock was from approximately \$18 to \$34 per share. At April 30, 2010, the range of selected equity analyst price targets for Continental common stock was from approximately \$25 to \$34 per share. Lazard and Morgan Stanley noted that the Continental closing price on April 7, 2010 was \$20.50 per share and on April 30, 2010 was \$22.35 per share.

Lazard and Morgan Stanley also reviewed selected public market trading price targets for UAL common stock prepared and published by six equity research analysts that provided targets for both Continental and UAL prior to April 7, 2010 and April 30, 2010, respectively. Lazard and Morgan Stanley reviewed the most recent price target published by each analyst prior to each such date. These targets reflect each analyst's estimate of the future public market trading price of UAL common stock at the time the price target was published. At April 7, 2010, the range of selected equity analyst price targets for UAL common stock was from approximately \$22 to \$30 per share. At April 30, 2010, the range of selected equity analyst price targets for UAL common stock was from approximately \$24 to \$35 per share. Lazard and Morgan Stanley noted that the UAL closing price on April 7, 2010 was \$18.95 per share and on April 30, 2010 was \$21.60 per share.

Lazard and Morgan Stanley calculated the exchange ratio implied by each analyst's price targets for Continental and UAL by dividing the Continental price target by the UAL price target. This analysis implied a range of exchange ratios of 0.67x to 1.42x based on price targets during the period ending April 7, 2010 and a range of exchange ratios of 0.71x to 1.42x based on price targets during the period ending April 30, 2010. Lazard and Morgan Stanley noted that the merger agreement provided for an exchange ratio of 1.05x.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for shares of Continental common stock and shares of UAL common stock and these estimates are subject to uncertainties, including the future financial performance of Continental and UAL and future financial market conditions.

**Table of Contents***Comparable Company Analysis*

Lazard and Morgan Stanley compared certain financial information of Continental and UAL with publicly available consensus earnings estimates for other companies that shared similar business characteristics to Continental and UAL, respectively. The companies used in this comparison were:

AMR Corporation

Continental

Delta Air Lines, Inc.

UAL

US Airways Group, Inc.

For purposes of this analysis, Lazard and Morgan Stanley analyzed the ratio of adjusted aggregate value, defined as market capitalization plus total debt and capitalized aircraft rent less unrestricted cash and cash equivalents, to estimated calendar year 2011 consensus EBITDAR for each of these companies. EBITDAR is defined as earnings before interest, taxes, depreciation, amortization and aircraft rent. The 2011 consensus EBITDAR for each of the companies listed above and used by Lazard and Morgan Stanley in their analysis was based on publicly available estimates and was calculated using Institutional Broker Estimate System, or IBES, consensus earnings before interest, taxes, depreciation and amortization plus publicly available equity research estimates for aircraft rent expense of each of these companies. For purposes of this analysis and as directed by Continental management, Lazard and Morgan Stanley also (i) adjusted the consensus estimates to include regional aircraft rent and depreciation in aircraft rent and depreciation, respectively, where applicable, (ii) adjusted the consensus estimates for UAL and AMR Corporation to reflect advance frequent flier mileage purchases as debt, (iii) adjusted the debt balances for UAL, Delta Air Lines, Inc. and US Airways Group, Inc. to exclude the impact of unamortized debt discounts and (iv) excluded unfunded pension and OPEB (other post employment benefit) liabilities for each company. Lazard and Morgan Stanley observed a range of adjusted aggregate value to 2010 estimated EBITDAR multiples for these companies of 5.7x to 6.1x and adjusted aggregate value to 2011 estimated EBITDAR multiples of 5.3x to 5.7x.

Based on an analysis of the relevant metrics for each of the comparable companies, Lazard and Morgan Stanley selected a reference range of EBITDAR multiples of 5.5x to 6.0x for the comparable companies and applied this range of multiples to estimated calendar year 2011 EBITDAR for Continental and UAL, respectively, included in the financial forecasts for each of Continental and UAL prepared by the management of Continental, which are referred to in this discussion as the Continental management case, and in publicly available equity research estimates for Continental and UAL, which are referred to in this discussion as the street case, and in each of the Continental management case and the street case, as directed by Continental management subject to the adjustments for UAL described above, where applicable.

Based on the Continental management case, Lazard and Morgan Stanley estimated an implied value range for shares of Continental common stock of approximately \$9 to \$15 per share, on a fully diluted basis, and an implied value range for shares of UAL common stock of approximately \$7 to \$13 per share, on a fully diluted basis. Based on the street case, Lazard and Morgan Stanley estimated an implied value range for shares of Continental common stock of approximately \$20 to \$27 per share, on a fully diluted basis, and an implied value range for shares of UAL common stock of approximately \$24 to \$31 per share, on a fully diluted basis. Lazard and Morgan Stanley noted that the Continental closing price on April 7, 2010 was \$20.50 per share and on April 30, 2010 was \$22.35 per share and that the UAL closing price on April 7, 2010 was \$18.95 per share and on April 30, 2010 was \$21.60 per share.

Lazard and Morgan Stanley noted that such analyses indicated a range of implied exchange ratios of 0.73x to 2.16x based on the Continental management case and 0.66x to 1.15x based on the street case. Lazard and Morgan Stanley noted that the merger agreement provided for an exchange ratio of 1.05x.

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No company utilized in the comparable company analysis is identical to Continental or UAL (other than the companies themselves, as applicable). In evaluating comparable companies, Lazard and Morgan Stanley made

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judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Continental and UAL, such as the impact of competition on the businesses of Continental and UAL and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Continental and UAL or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

*Discounted Equity Value Analysis*

Lazard and Morgan Stanley performed a discounted equity value analysis, which is designed to provide insight into the potential future price of a company's common equity as a function of the company's future earnings and an assumed forward EBITDAR multiple. The resulting value is subsequently discounted to arrive at an estimate of the present value for the company's potential future stock price. For purposes of this analysis and as directed by Continental management, Lazard and Morgan Stanley excluded unfunded pension and OPEB liabilities for each of Continental and UAL. Lazard and Morgan Stanley calculated ranges of implied equity values per share for Continental at December 31, 2010, based on discounted equity values that were based on the Continental management case. In arriving at the estimated equity values per share of Continental common stock, Lazard and Morgan Stanley applied a 6.0x forward EBITDAR multiple to Continental's expected 2011, 2012 and 2013 EBITDAR to calculate an adjusted aggregate value. Lazard and Morgan Stanley then further adjusted that adjusted aggregate value for forecasted aircraft rent, total debt and unrestricted cash and cash equivalents (each as included in the Continental management case) to calculate an equity value. Lazard and Morgan Stanley then discounted that equity value to present value using a discount rate of 12.5%. The discount rate applicable to Continental was based on Lazard's and Morgan Stanley's judgment of the estimated range of Continental's cost of equity calculated in accordance with the capital asset pricing model, which is a standard financial valuation method that takes into account both returns in equity markets generally and volatility in a company's common stock. Based on these calculations, this analysis implied a value range for Continental common stock of approximately \$14 to \$21 per share, on a fully diluted basis. Lazard and Morgan Stanley noted that the Continental closing price on April 7, 2010 was \$20.50 per share and on April 30, 2010 was \$22.35 per share.

Lazard and Morgan Stanley calculated ranges of implied equity values per share for UAL at December 31, 2010, based on discounted equity values that were based on each of the Continental management case and on the financial forecasts for UAL prepared by the management of UAL, which are referred to in this discussion as the UAL management case. In arriving at the estimated equity values per share of UAL common stock, Lazard and Morgan Stanley applied a 6.0x forward EBITDAR multiple to UAL's expected 2011, 2012 and 2013 EBITDAR to calculate an adjusted aggregate value. Lazard and Morgan Stanley then further adjusted that adjusted aggregate value for forecasted capitalized aircraft rent, total debt and unrestricted cash and cash equivalents (each as included in the Continental management case and the UAL management case, as applicable) to calculate an equity value. Lazard and Morgan Stanley then discounted that equity value to present value using a discount rate of 13.0%. In arriving at an equity value, Lazard and Morgan Stanley, at the direction of Continental management, also adjusted the forecasts for UAL to include regional aircraft rent in aircraft rent and to reflect advance frequent flier mileage purchases as debt. The discount rate applicable to UAL was based on Lazard's and Morgan Stanley's judgment of the estimated range of UAL's cost of equity calculated in accordance with the capital asset pricing model, which is a standard financial valuation method that takes into account both returns in equity markets generally and volatility in a company's common stock. Based on these calculations, this analysis implied a value range for UAL common stock of approximately \$22 to \$24 per share, on a fully diluted basis, based on the Continental management case and \$30 to \$33 per share, on a fully diluted basis, based on the UAL management case. Lazard and Morgan Stanley noted that the UAL closing price on April 7, 2010 was \$18.95 per share and on April 30, 2010 was \$21.60 per share.

Lazard and Morgan Stanley noted that such discounted equity value analysis for Continental and UAL implied a range of exchange ratios of 0.57x to 0.91x based on the Continental management case for both Continental and UAL and 0.41x to 0.68x based on the Continental management case for Continental and the UAL management case for UAL. Lazard and Morgan Stanley noted that the merger agreement provided for an exchange ratio of 1.05x.

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**Table of Contents***Discounted Cash Flow Analysis*

Lazard and Morgan Stanley performed a discounted cash flow analysis, which is designed to estimate a value of a company by calculating the present value of estimated future cash flows of the company. For purposes of this analysis and as directed by Continental management, Lazard and Morgan Stanley excluded unfunded pension and OPEB liabilities for each of Continental and UAL. Lazard and Morgan Stanley calculated a range of equity values per share for each of Continental and UAL based on a four year discounted cash flow analysis for the calendar years 2011 through 2014.

In arriving at the estimated equity values per share of Continental common stock, Lazard and Morgan Stanley estimated a range of terminal values in 2014 by multiplying Continental's calendar year 2014 estimated EBITDAR included in the Continental management case by selected trailing EBITDAR multiples ranging from 5.75x to 6.75x. Lazard and Morgan Stanley then discounted Continental's forecasted unlevered free cash flows, defined as operating cash flow plus net interest expense less capital expenditures, included in the Continental management case and the estimated terminal value, in each case to a present value using discount rates ranging from 9.0% to 11.0%. These discount rates were based on Lazard's and Morgan Stanley's judgment of the estimated range of Continental's weighted average cost of capital, with the cost of equity included therein calculated in accordance with the capital asset pricing model, which is a standard financial valuation method that takes into account both returns in equity markets generally and volatility in a company's common stock. Based on the foregoing analysis and the forecasted cash and debt outstanding as of the assumed closing date of the merger, December 31, 2010 (each as included in the Continental management case), the discounted cash flow analysis of Continental yielded an implied value range for Continental common stock of approximately \$16 to \$28 per share, on a fully diluted basis. Lazard and Morgan Stanley noted that the Continental closing price on April 7, 2010 was \$20.50 per share and on April 30, 2010 was \$22.35 per share.

In arriving at the estimated equity values per share of UAL common stock, Lazard and Morgan Stanley estimated a range of terminal values in 2014 by multiplying UAL's calendar year 2014 estimated EBITDAR included in each of the Continental management case and the UAL management case by selected trailing EBITDAR multiples ranging from 5.25x to 6.25x. The terminal multiple used for UAL is lower than that of Continental due to the relative fleet age, growth prospects and historical equity trading multiples of Continental compared to UAL at the time the multiple is applied. Lazard and Morgan Stanley then discounted UAL's forecasted unlevered free cash flow streams included in each of the Continental management case and the UAL management case and the estimated terminal value, in each case to a present value using discount rates ranging from 10.0% to 12.0%. These discount rates were based on Lazard's and Morgan Stanley's judgment of the estimated range of UAL's weighted average cost of capital, with the cost of equity included therein calculated in accordance with the capital asset pricing model, which is a standard financial valuation method that takes into account both returns in equity markets generally and volatility in a company's common stock. Based on the foregoing analysis and the forecasted cash and debt outstanding as of the assumed closing date of the merger, December 31, 2010 (each as included in the Continental management case and the UAL management case, as applicable), the discounted cash flow analysis of UAL yielded an implied value range for UAL common stock of approximately \$20 to \$31 per share, on a fully diluted basis, based on the Continental management case and an implied value range for UAL common stock of approximately \$28 to \$40 per share, on a fully diluted basis, based on the UAL management case. Lazard and Morgan Stanley noted that the UAL closing price on April 7, 2010 was \$18.95 per share and on April 30, 2010 was \$21.60 per share.

Lazard and Morgan Stanley noted that such discounted cash flow analysis for Continental and UAL implied a range of exchange ratios of 0.52x to 1.41x based on the Continental management case for both Continental and UAL and 0.40x to 1.02x based on the Continental management case for Continental and the UAL management case for UAL. Lazard and Morgan Stanley noted that the merger agreement provided for an exchange ratio of 1.05x.

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### *Contribution Analysis*

Lazard and Morgan Stanley reviewed the relative contributions of Continental and UAL to the following estimated financial and operating metrics of the combined company for 2010 and 2011, based on the Continental management case, the UAL management case and the street case:

revenues;

EBITDAR;

earnings before interest, taxes, depreciation and amortization;

earnings before interest and taxes;

earnings before taxes; and

operating cash flow.

For purposes of this analysis and as directed by Continental management, Lazard and Morgan Stanley (i) adjusted the forecasts for UAL to reallocate regional aircraft rent and depreciation, to exclude non-cash income statement impacts to UAL's frequent flier policy and to reflect UAL's advance frequent flier mileage purchases as debt and (ii) excluded unfunded pension and OPEB liabilities for each of Continental and UAL.

Based on the foregoing, Lazard and Morgan Stanley calculated implied exchange ratio ranges, taking into account the impact of each company's respective net debt, of:

0.95x to 1.10x based on the Continental management case for both Continental and UAL;

0.80x to 0.95x based on the Continental management case for Continental and the UAL management case for UAL; and

0.90x to 1.10x based on the street case.

Lazard and Morgan Stanley noted that the merger agreement provided for an exchange ratio of 1.05x.

### **Amended and Restated Certificate of Incorporation of UAL**

The UAL board of directors has approved, subject to stockholder approval and completion of the merger, an amended and restated certificate of incorporation to (i) change UAL's name to United Continental Holdings, Inc., (ii) provide that the board of directors may not amend, alter or repeal the sections of the bylaws relating to (1) Mr. Tilton's service as non-executive chairman of the board and Mr. Smisek's service as chief executive officer until the later of December 31, 2012 and two years after the effective date of the merger and (2) Mr. Smisek's succession to Mr. Tilton as chairman of the board and (iii) provide for the indemnification of employees (other than officers) and agents of the combined company to the extent permitted by Delaware law and at the sole discretion of any of the chief executive officer, the president, the chief financial officer or the general counsel of the combined company. The form of amended and restated certificate of incorporation is included in this joint proxy statement/prospectus as Annex F. The approval of the amended and restated certificate of incorporation is a condition to completion of the

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merger. In the event this proposal is adopted by UAL stockholders but the merger is not completed, the amended and restated certificate of incorporation will not become effective.

UAL's restated certificate of incorporation currently contains a 5% ownership limitation provision to protect UAL's ability to utilize its NOL carryforwards for federal income tax purposes. This 5% ownership limitation provision provides that, prior to February 1, 2014 or such later date as may be approved by UAL's board of directors (or earlier in certain circumstances), any attempted transfer of UAL's common stock (i) by or to any person or group holding shares representing 5% or more of UAL's outstanding common stock (a 5% stockholder) or (ii) to any person or group to the extent that, as a result of such transfer, such person or group

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would become a 5% stockholder of UAL without the advance written approval of UAL's board of directors, shall be prohibited and void. Upon completion of the merger, the amended and restated certificate of incorporation of the combined company will also contain this 5% ownership limitation provision. Holders of Continental common stock are not currently subject to any similar type of limitation.

### **Interests of UAL Directors and Executive Officers in the Merger**

In considering the recommendation of the board of directors of UAL that you vote to approve the issuance of shares of UAL common stock in connection with the merger and the adoption of UAL's amended and restated certificate of incorporation, you should be aware that UAL's directors and executive officers have financial interests in the merger that may be different from, or in addition to, those of UAL stockholders generally. The board of directors of UAL was aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending to you that you approve the issuance of shares of UAL common stock in connection with the merger and the adoption of UAL's amended and restated certificate of incorporation.

UAL has entered into an employment agreement with Mr. Tilton and, in connection with the merger, Management Retention Agreements with each of its executive officers other than Mr. Tilton. As described in more detail below, the interests of Mr. Tilton include certain payments and benefits in connection with the termination of his employment as president and chief executive officer of UAL and chairman and chief executive officer of United. As described in more detail below, the interests of UAL's executive officers other than Mr. Tilton include certain payments and benefits under their Management Retention Agreements upon termination of their employment under certain circumstances following the merger, including continued medical and dental benefits, travel privileges, cash severance and accelerated vesting of long-term incentive awards.

The dates and share prices used below to quantify these interests have been selected for illustrative purposes only. They do not necessarily reflect the dates on which certain events will occur and do not represent a projection about the future value of UAL common stock.

#### ***Amended Employment Agreement with Mr. Tilton***

Upon the completion of the merger, Mr. Tilton, UAL's chairman, president and chief executive officer, will cease to be president and chief executive officer of UAL and United, his employment will terminate and he will become non-executive chairman of the board of the combined company, a position that he is expected to hold until the later of December 31, 2012 and the second anniversary of the consummation of the merger (the later of such dates, the Chairman Retirement Date). Pursuant to the terms of his employment agreement prior to its modification by the letter agreement described below (the Prior Employment Agreement), Mr. Tilton would have been entitled to certain payments and benefits (such as severance and accelerated vesting of his long-term incentive awards) upon termination of his employment.

In order to emphasize Mr. Tilton's ongoing commitment to the success of the combined company, he requested, and UAL agreed, that the payment of certain amounts that would otherwise be payable to Mr. Tilton immediately upon termination should be postponed, and that a substantial portion of these amounts should remain at risk based on the performance of the combined company and based on Mr. Tilton's continued service as non-executive chairman.

Accordingly, on May 2, 2010, UAL and Mr. Tilton entered into a binding term sheet, the terms of which were subsequently reflected in a formal letter agreement amending Mr. Tilton's Prior Employment Agreement (such agreement, as amended, the Amended Employment Agreement). The letter agreement between UAL and Mr. Tilton is filed as Exhibit 10.1 to the registration statement of which this joint proxy statement/prospectus forms a part. If the completion of the merger does not occur or if Mr. Tilton's employment with UAL terminates for any reason prior to the completion of the merger, then such letter agreement will be null and void as of such



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date. The amounts described below are based on Mr. Tilton's compensation as in effect on June 1, 2010, on an assumed merger completion date of December 31, 2010 and on an assumed UAL common stock value at the time of merger completion of \$19.43 per share, which is the average closing price of UAL common stock for the 20 trading days preceding June 1, 2010.

*Waiver of Cash Severance.* Under the terms of the Prior Employment Agreement, Mr. Tilton would have been entitled to a lump-sum cash severance payment of \$4,625,000 (equal to two times the sum of his annual base salary and target annual bonus) upon termination of his employment. Mr. Tilton has waived his right to receive this cash payment. In consideration for his waiver, he will be entitled to receive a grant of UAL restricted shares immediately following the completion of the merger. The number of restricted shares that he receives will be determined by dividing the value of the cash severance payment that he waived by the average closing price of UAL common stock for the 20 trading days preceding the completion of the merger. He will vest in these restricted shares if he remains in the position of chairman until the Chairman Retirement Date. In addition, these shares will vest if his service as chairman terminates prior to the Chairman Retirement Date due to death, disability, termination by the board of directors of the combined company without cause (each as defined in Mr. Tilton's Amended Employment Agreement) or retirement with the consent of the board of directors of the combined company (each such termination, a Qualifying Chairman Termination). If his service as chairman terminates for any other reason prior to the Chairman Retirement Date, he will immediately forfeit these restricted shares.

*Waiver of Stock Option Acceleration.* Under the terms of the Prior Employment Agreement, Mr. Tilton would have been entitled to accelerated vesting of all his unvested stock options upon termination of his employment. The estimated spread value of these stock options that will be unvested as of December 31, 2010 is \$3,885,338. Mr. Tilton has waived all rights to such accelerated vesting. Instead, Mr. Tilton's stock options will vest in the event of his continuous service as chairman through the earlier of the original vesting date and the Chairman Retirement Date. Furthermore, the options will vest upon a Qualifying Chairman Termination. If his service as chairman terminates for any other reason prior to the Chairman Retirement Date, he will immediately forfeit any remaining unvested stock options. Furthermore, so long as Mr. Tilton continues to serve as chairman through the Chairman Retirement Date or experiences a Qualifying Chairman Termination, the post-termination exercise period of the stock options that he holds as of termination of his employment will begin to run when he ceases to be chairman, rather than when his employment terminates upon the completion of the merger.

*Waiver of Restricted Stock Unit Acceleration.* Under the terms of the Prior Employment Agreement, Mr. Tilton would have been entitled to accelerated vesting of all his restricted stock units upon termination of his employment. The estimated value of his restricted stock units that will be unvested as of December 31, 2010 is \$8,724,731. Mr. Tilton has waived all rights to such accelerated vesting. Instead, upon closing, each unvested restricted stock unit will be converted into one restricted share and such restricted shares will vest or be forfeited in the same manner as described above with respect to his stock options.

*Proration of 2009 Long-Term Cash Incentive Award.* Under the terms of the Prior Employment Agreement, Mr. Tilton would have been entitled to full payment of his 2009 long-term cash incentive award, to be paid at a level determined by the Human Resources Subcommittee of the board of directors of UAL (the HRSC). Pursuant to the letter agreement, Mr. Tilton agreed that upon termination of employment, he will receive only a prorated portion of this award, to be paid at the target level. Assuming his employment terminates on December 31, 2010, the amount of such payment would be \$1,733,334.

*Post-Termination Benefits.* In accordance with the Prior Employment Agreement (which provision has not been modified by the letter agreement), Mr. Tilton will be entitled to lifetime director emeritus retiree travel privileges. Mr. Tilton will also be entitled to continuation of certain health and welfare benefits for a period of two years following termination of his employment, at which point he will

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become eligible to receive retiree medical benefits (after taking into account additional service credit provided to bridge him to eligibility). Assuming his employment terminates on December 31, 2010, the value of continuing these benefits for two years and the value of retiree medical benefits would be \$53,968. This value was determined based on assumptions used for financial reporting purposes under FASB ASC Topic 715 ( ASC 715 ), including a discount rate of 5.69%, and includes only the portion of the benefits above and beyond what is provided to all management employees.

*Vacation Benefits.* In accordance with UAL policies, Mr. Tilton will be paid for any accrued and unused vacation benefits up to a maximum of five weeks.

UAL has agreed to indemnify Mr. Tilton for any taxes or penalties he may incur under Section 409A of the Internal Revenue Code in connection with the amendment of the Prior Employment Agreement, provided that Mr. Tilton must cooperate with UAL by executing amendments necessary to avoid such taxes and penalties. Pursuant to the Prior Employment Agreement (which provision has not been modified by the letter agreement), Mr. Tilton is entitled to a gross-up with respect to any payments or benefits that are subject to an excise tax as a result of Section 280G of the Internal Revenue Code. However, the completion of the merger is not expected to result in a change in control of UAL for purposes of Section 280G, and therefore no payments or benefits that Mr. Tilton is entitled to receive should be subject to the excise tax on parachute payments.

Pursuant to the Amended Employment Agreement, Mr. Tilton is subject to confidentiality and non-disparagement restrictive covenants for an indefinite duration. Mr. Tilton is also subject to non-solicitation/non-compete covenants prohibiting him, during the two-year period following cessation of his service as chairman, from becoming employed by or providing services to any airline, air carrier or any company affiliated with an airline or air carrier and from soliciting or hiring certain employees of UAL for the benefit of any such company.

***Executive Officer Retention Arrangements***

In connection with entry into the merger agreement, the HRSC approved entry into Management Retention Agreements with each of UAL's executive officers other than Mr. Tilton (currently Graham Atkinson, Peter McDonald, Kathryn Mikells, Thomas Sabatino, Jr. and John Tague). The form of Management Retention Agreement and Mr. McDonald's Management Retention Agreement (the terms of which vary slightly from the form of Management Retention Agreement, as described below) are filed as Exhibits 10.2 and 10.3, respectively, to the registration statement of which this joint proxy statement/prospectus forms a part. These Management Retention Agreements are designed to be consistent with current market practices and to establish a degree of comparability with the programs offered to similarly-situated executive officers at Continental. The Management Retention Agreements do not provide for single-trigger payments or benefits (i.e., payments or benefits that will be provided automatically upon completion of the merger). Instead, each Management Retention Agreement provides for the compensation and benefits described below in the event the executive officer's employment is terminated without cause or for good reason (as described below) within the two-year period following completion of the merger. In consideration for the protections provided pursuant to the Management Retention Agreement, each executive officer has waived all rights to accelerated vesting of equity-based and long-term incentive awards that would otherwise occur as a result of the completion of the merger (as described below under Treatment of Equity Awards Definition of Change of Control and Treatment of Equity Awards Waiver of Accelerated Vesting ).

Under the Management Retention Agreements with UAL's executive officers, good reason means (i) a material diminution in authority, duties or responsibilities, including reporting to a person at a level below the level of the person to whom the executive officer reported to immediately prior to the completion of the merger, (ii) a relocation of the executive officer's principal place of employment by more than 50 miles, (iii) a material diminution in the executive officer's total compensation opportunity or (iv) a material breach by UAL of any provision of the Management Retention Agreement.

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If an executive officer's employment is terminated by the combined company without cause or by the executive officer for good reason within the two-year period following completion of the merger, provided that the executive officer executes a release of claims in favor of UAL and its subsidiaries, the executive officer will receive the following compensation and benefits:

*Annual Incentive.* A bonus pursuant to the Annual Incentive Plan for the year of termination to be paid at the greater of target level and actual performance for months completed during the year of termination of employment. If the executive officer's employment terminates in the year in which the completion of the merger occurs, the full bonus will be paid, and if termination occurs in another year, a prorated bonus will be paid.

*Long-Term Incentives.* Vesting of all unvested long-term incentive awards then held by the executive officer (restricted shares and restricted stock units) will be paid out in an amount of cash equal to the average closing price of UAL common stock for the 20 trading days preceding the completion of the merger and long-term cash incentive awards will be paid out in full based upon deemed achievement at the target level).

*Severance.* Cash severance equal to 2.75 times the sum of the executive officer's annual base salary and target annual bonus, provided that, solely in the case of Mr. McDonald, the amount of his severance will be reduced by \$2,634,082, which is the amount of certain special retention payments he previously received from UAL pursuant to a 2008 amendment to his employment agreement.

*Other Separation Benefits.* The executive officers also will receive the following separation benefits: (1) continued medical and dental benefits equivalent to those provided to senior officers who remain actively employed by UAL until the executive officer is eligible for retiree medical benefits (after taking into account additional age and service credit provided to bridge the executive officer to eligibility), at which time the executive officer will receive retiree medical benefits, (2) travel privileges at the level currently provided to retired officers of UAL for the remainder of the executive officer's lifetime, which travel privileges would apply to the combined company's flight system and (3) executive outplacement services for a period of one year following termination. In addition, the executive officers will receive payment for any accrued and unused vacation benefits up to a maximum of five weeks.

For purposes of the table below, it is assumed that the executive officers do not have any accrued and unused vacation benefits.

The Management Retention Agreements do not provide for a gross-up with respect to any payments or benefits that are subject to an excise tax as a result of Section 280G of the Internal Revenue Code. The Management Retention Agreements do provide each executive officer with certain protections against taxes and penalties under Section 409A of the Internal Revenue Code, provided that the executive officer cooperates with UAL by executing amendments necessary to avoid such taxes and penalties.

Each executive officer would be subject to restrictive covenants prohibiting solicitation or hiring of any employee of UAL or its subsidiaries for a period of two years following termination of the executive officer's employment for any reason. In addition, the executive officer would be bound by an obligation of confidentiality for an indefinite duration with respect to UAL and its subsidiaries.

Based on compensation and benefit levels as of June 1, 2010 and assuming that the merger is consummated on December 31, 2010 and that each executive officer's employment is terminated by the combined company without cause or by the executive officer for good reason at that time, the executive officers will be entitled to receive the following cash severance payments and other benefits under their Management Retention Agreements (excluding the value of the bonus under the Annual Incentive Plan and long-term incentive awards, which are quantified in the table below under the section "Treatment of Equity Awards - Waiver of Accelerated Vesting"). Messrs. McDonald and Sabatino are expected to be part of the executive management team of the combined company and are not expected to experience a termination of employment in connection with the merger.

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<b>Executive Officer</b>	<b>Cash Severance</b>	<b>Continuation of Medical and Dental Benefits (1)</b>	<b>Travel Privileges (2)</b>	<b>Outplacement Services (3)</b>
Graham Atkinson	\$ 3,619,000	\$ 4,643	\$ 175,301	\$ 28,500
Peter McDonald	\$ 2,667,327(4)	\$ 2,772	\$ 90,965	\$ 28,500
Kathryn Mikells	\$ 4,362,188	\$ 256,358	\$ 173,293	\$ 28,500
Thomas Sabatino, Jr.	\$ 3,300,000	\$ 156,942	\$ 162,406	\$ 28,500
John Tague	\$ 5,301,409	\$ 170,646	\$ 181,243	\$ 28,500

- (1) The value of medical and dental benefits continued following a termination of employment without cause or for good reason was determined based on assumptions used for financial reporting purposes under ASC 715, including a discount rate of 5.69%, and includes only the portion of the benefits above and beyond what is provided to all management employees. For Ms. Mikells and Messrs. Sabatino and Tague, the amount includes the value of retiree medical benefits, as they would not otherwise be eligible for retiree medical benefits based on their age and years of service as of December 31, 2010.
- (2) These amounts represent the incremental cost to UAL of providing the retiree travel privileges. The value of retiree travel privileges was determined by utilizing the following assumptions: (i) both the executive officer and the executive officer's spouse utilize the retiree travel privilege until age 75, and the executive officer's dependent children utilize the privilege until age 25, (ii) the level of usage for each year is the same as the actual usage was for the executive officer and the executive officer's spouse and dependent children for 2009 (for Mr. Sabatino, the average of the other four executive officers was used since he joined UAL in 2010) and (iii) the incremental cost to UAL for providing retiree travel privileges for each year is the same as the actual incremental cost incurred by UAL of providing travel privileges to the executive officer and the executive officer's spouse and dependent children for 2009. On the basis of these assumptions, UAL determined the value of retiree travel privileges by calculating the present value of the assumed incremental cost of providing the benefit to the executive officer and the executive officer's spouse and dependent children over the period of expected use using a discount rate of 5.30%. The tax gross-up on retiree travel privileges was determined based on the imputed income on the value of the executive officer's retiree travel privileges over the period of anticipated use (which is higher than the incremental cost to UAL of providing the privileges) using a discount rate of 5.30%.
- (3) The value of outplacement services was determined based on the estimated fees charged by the external firms whose services are offered.
- (4) The amount of cash severance for Mr. McDonald reflects a reduction of \$2,634,082, which is the amount of certain special retention payments he previously received from UAL pursuant to a 2008 amendment to his employment agreement.

**Treatment of Equity Awards***Definition of Change of Control*

The 2008 Incentive Compensation Plan (the "ICP") provides that, upon a change of control (as defined in the ICP), all outstanding equity-based awards granted under the ICP will become immediately vested in full, and all outstanding long-term cash incentive awards will be deemed to have been achieved at target and will be paid on a pro rata basis. Similarly, the 2006 Management Equity Incentive Plan (the "MEIP") provides that, upon a change of control (as defined in the MEIP), all outstanding equity-based awards granted under the MEIP will become immediately vested in full.

The ICP and the MEIP define a change of control to include a merger if, immediately following the merger, UAL's stockholders do not continue to hold a majority of the voting power of the combined company. In addition, under the terms of the ICP, the board of directors of UAL has the authority to determine that an event or transaction will constitute a change of control for purposes of the plan. Given that (1) the merger is structured as a merger of equals and the two companies had similar market capitalization as of the date of the merger agreement, (2) the merger will result in a change of control for purposes of Continental's outstanding long-term

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incentive awards and (3) the chief executive officer will be from Continental and half of the independent directors of the board of the combined company will be designated by Continental, the board of directors of UAL determined that the merger should be considered a change of control for purposes of the ICP. Accordingly, except as described below under *Waiver of Accelerated Vesting*, outstanding equity-based awards granted under the ICP will become immediately vested in full and long-term cash incentive awards will be deemed to have been achieved at target and will be paid out on a prorated basis upon completion of the merger. In addition, the HRSC amended the terms of all outstanding equity-based awards granted under the MEIP to provide that, except as described below under *Waiver of Accelerated Vesting*, such awards will become immediately vested in full upon completion of the merger.

*Waiver of Accelerated Vesting*

As noted above, Mr. Tilton has waived all accelerated vesting of his equity-based awards and the vesting of such awards will continue based on his service as chairman following completion of the merger. Furthermore, in consideration for the protections provided under the Management Retention Agreements with UAL's other executive officers that are described above, the executive officers have waived their rights to accelerated vesting of all their outstanding equity-based and long-term incentive awards upon completion of the merger. Instead, stock options, restricted shares, restricted stock units and long-term cash incentive awards held by these executive officers will remain unvested upon completion of the merger and will only vest following the merger if the executive officer remains employed by the combined company through the applicable vesting date or if the executive officer's employment is terminated by the combined company without cause or by the executive officer for good reason (each, as defined in the Management Retention Agreements).

Further, with respect to officers who are party to Management Retention Agreements, upon the completion of the merger (i) restricted shares and restricted stock units will be converted into a fixed amount in cash based on the average closing price of UAL common stock for the 20 trading days preceding the completion of the merger and (ii) performance under the long-term cash incentive awards will be deemed to have been achieved at the target level and will be paid in full upon vesting, rather than on a prorated basis.

The following table summarizes the estimated value of the bonus under the Annual Incentive Plan and the value of stock options, restricted shares, restricted stock units and long-term cash incentive awards held by the executive officers as of June 1, 2010 that will vest assuming that (i) the merger is consummated on December 31, 2010, (ii) each executive officer's employment is terminated by the combined company without cause or by the executive for good reason at that time and (iii) the value of UAL common stock at that time is \$19.43 per share, which is the average closing price of UAL common stock on the 20 trading days preceding June 1, 2010. Messrs. McDonald and Sabatino are expected to be part of the executive management team of the combined company and are not expected to experience a termination of employment in connection with the merger.

<b>Executive Officer</b>	<b>Annual Bonus (1)</b>	<b>Stock Options (2)</b>	<b>Restricted Shares and Restricted Stock Units (3)</b>	<b>Cash LTIP</b>
Graham Atkinson	\$ 1,058,400	\$ 375,906	\$ 825,775	\$ 250,000
Peter McDonald	\$ 1,550,431	\$ 903,340	\$ 1,786,278	\$ 600,000
Kathryn Mikells	\$ 1,275,750	\$ 974,340	\$ 2,273,971	\$ 600,000
Thomas Sabatino, Jr.	\$ 840,000	\$ 0	\$ 777,589	\$ 0
John Tague	\$ 1,550,431	\$ 1,811,236	\$ 2,969,565	\$ 950,000

- (1) The estimated value of the 2010 annual bonus is based on UAL's actual performance at approximately 140% of target through June 1, 2010.
- (2) The spread value of the stock options that will be unvested as of December 31, 2010 is based on the difference between a UAL common stock price of \$19.43 per share and the applicable exercise prices of the stock options.

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- (3) The value of the restricted shares and restricted stock units that will be divested as of December 31, 2010 is based on a UAL common stock price of \$19.43 per share.

### ***Benefits Arrangements with the Combined Company***

As described under The Merger Agreement Employee Benefits Matters, the merger agreement requires UAL to continue to provide certain compensation and benefits for six months following completion of the merger to all Continental and UAL employees (other than collectively bargained employees), including the executive officers of UAL who remain employed by the combined company following completion of the merger.

### ***Compensation Arrangements with the Combined Company***

Prior to the completion of the merger, UAL is permitted to set Mr. Tilton's compensation package as non-executive chairman of the board of the combined company, subject to the review and consent process agreed upon in the merger agreement. The merger agreement provides that Mr. Tilton's compensation package will be negotiated between Mr. Tilton and the UAL HRSC or Nominating/Governance Committee, subject to the approval of the Continental Human Resources Committee (the Continental HRC), which must consider such compensation package in good faith. The Continental HRC will have the opportunity to request changes to Mr. Tilton's compensation package, and in such a case, the UAL HRSC and Continental HRC will work together to negotiate such changes. UAL expects to finalize Mr. Tilton's compensation package prior to the closing of the merger, and will disclose the details of the arrangement on a Form 8-K.

It is also anticipated that prior to the completion of the merger, employment arrangements may be entered into with Messrs. McDonald and Sabatino, who are expected to be part of the management team of the combined company, specifying compensation and certain other terms of their employment following completion of the merger. Once the details of their employment arrangements have been finalized, they will be disclosed on a Form 8-K.

### ***Indemnification of UAL Directors and Officers***

UAL directors and executive officers have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger.

### ***Interests of Continental Directors and Executive Officers in the Merger***

In considering the recommendation of the board of directors of Continental that you vote for the proposal to adopt the merger agreement, you should be aware that Continental's directors and executive officers have financial interests in the merger that may be different from, or in addition to, those of Continental stockholders generally. The board of directors of Continental was aware of and considered these potential interests, among other matters, in evaluating and negotiating the merger agreement and the merger as well as in recommending to you that you vote for the proposal to adopt the merger agreement.

As described in more detail below, these interests include certain payments and benefits that may be provided to the executive officers upon termination of their employment under certain circumstances following the merger, including accelerated vesting of annual and long-term incentive awards, enhanced cash severance, enhanced supplemental executive retirement plan (SERP) benefits, and certain other termination benefits that the completion of the merger would not affect.

The dates and share prices used below to quantify these interests have been selected for illustrative purposes only. They do not necessarily reflect the dates on which certain events will occur and do not represent a projection about the future value of Continental's common stock.

### ***Executive Officers***

Continental has existing employment agreements with each of its executive officers. These employment agreements and Continental's existing compensation programs require Continental to make payments or provide benefits to its executive officers upon a termination of their employment, including a termination in connection

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with a change in control of Continental. The completion of the merger will constitute a change in control for purposes of Continental's employment agreements and existing compensation programs applicable to the executive officers. Upon a change in control, payments under Continental's executive incentive programs remain subject to each executive officer's continued employment through the end of the applicable performance period or other date specified in the applicable program unless the executive officer experiences an Employment Termination Event or, in limited exceptions, in the case of death, disability, retirement eligibility or actual retirement. An Employment Termination Event includes events that are similar to termination of the executive officer's employment by Continental without cause, those which would permit the executive officer to terminate his or her employment for good reason (described below) and Continental's non-renewal of the executive officer's employment agreement.

Under the executive officers' employment agreements, good reason generally means (i) a material diminution in authority, duties or responsibilities (including, in the case of Mr. Smisek, a change in the reporting structure so that he reports other than to Continental's board of directors, and in the case of Messrs. Compton, Moran and Rowe, a change in the reporting structure so that the executive officer reports other than to the chief executive officer or president of Continental), (ii) a material change in the location where the executive officer must perform services, which, in the case of Messrs. Smisek, Compton, Moran and Rowe, means requiring the executive officer to be based more than 50 miles outside the city limits of Houston, Texas and, in the case of Mr. Bonds, Ms. Foxhall and Ms. Vogel, means requiring the executive officer to be based anywhere outside a major urban center in Texas, (iii) in the case of Messrs. Smisek, Compton, Moran and Rowe, a material diminution in the executive officer's base salary (other than the potential reduction arising from Mr. Smisek's voluntary salary waiver) or (iv) a material breach by Continental of the terms of the executive officer's employment agreement.

If an executive officer's employment is terminated upon or following the completion of the merger, he or she will receive the following compensation and benefits:

*2010 Annual Incentive Award.* If an executive officer experiences an Employment Termination Event before the end of 2010, then the performance target for the 2010 awards outstanding under Continental's Annual Executive Incentive Program is deemed achieved at the stretch level, which is 150%. Completion of the merger alone will have no effect on annual executive incentive awards and any amounts paid will be based on actual performance with respect to any executive officer who does not experience an Employment Termination Event before the end of 2010.

*Waiver of Salary and Bonus.* Mr. Smisek voluntarily agreed to forgo any base salary or annual bonus amounts with respect to each calendar year beginning January 1, 2010 and continuing through the term of his employment agreement unless Continental achieves a profit for such year. However, if Mr. Smisek experiences an Employment Termination Event or his employment is terminated due to death or disability, then Continental must pay him or, in the event of his death, his estate, all salary and annual bonus amounts to which he would have otherwise been entitled, but for his agreement to forgo pay during such period.

*Long Term Incentives.* Performance targets for awards outstanding under Continental's Long-Term Incentive and RSU Programs are deemed achieved at the levels described below under Long-Term Incentive and RSU Program. Payments under such programs are subject to the executive officer's continuing service through the end of the multi-year performance periods or the specified payment dates, unless paid earlier upon an Employment Termination Event, death, disability, retirement or eligibility to retire.

*Severance.* In accordance with the employment agreements between Continental and each executive officer, if the executive officer experiences an Employment Termination Event upon or within the two-year period following the completion of the merger, then he or she will receive a cash severance payment equal to three times the sum of the executive officer's annual base salary and an additional amount equal to 125% (150% for Mr. Smisek) of such annual base salary.

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*Supplemental Executive Retirement Plan.* The employment agreement of each executive officer includes SERP benefits that provide an annual retirement benefit expressed as a percentage of the executive officer's final average compensation. Each executive officer will retain the right to receive payment of his or her accrued SERP benefit provided pursuant to the executive officer's employment agreement following the completion of the merger. The executive officer will receive an additional three years of credited service under the SERP, paid at the same time as the otherwise accrued SERP benefits (subject to certain caps on the amount of credited service that may be accumulated), if the executive officer experiences an Employment Termination Event and, in the case of Messrs Smisek, Compton, Moran and Rowe, in the event of a termination of employment due to death or disability.

*Other Separation Benefits.* If the employment of an executive officer of Continental terminates (regardless of whether the completion of the merger has occurred), he or she will receive the following separation benefits:

*Travel Privileges.* Executive officers will retain continuing flight benefits and an associated tax reimbursement for these benefits (however, Mr. Bonds, Ms. Foxhall and Ms. Vogel do not receive this benefit in the event their employment is terminated by Continental for cause). In addition, upon the death of an executive officer, his or her surviving spouse and children are permitted to use any remaining travel and tax gross-up balances. Messrs. Smisek, Compton, Moran and Rowe will also receive parking at George Bush Intercontinental Airport (IAH) in Houston (two such parking spaces are provided for Mr. Smisek and one space is provided for each of the other executives) for as long as they retain a residence in Houston, Texas. None of such officers receive this parking benefit if their employment is terminated by Continental for cause and Mr. Rowe also does not receive this benefit if his employment is terminated by him without good reason or if he chooses not to renew his employment agreement.

*Health care and insurance.* Executive officers will have access to continued coverage in health/welfare/life insurance programs on terms equivalent to those generally available to active employees of Continental for the remainder of the executive officer's lifetime. Mr. Bonds, Ms. Foxhall and Ms. Vogel do not receive this benefit in the event their employment is terminated by Continental for cause.

*Automobile.* With respect to Messrs. Compton, Moran and Rowe, Continental will provide each of them with the company automobile that he was using at the time his employment terminated (however, Mr. Rowe currently has waived his right to a company-provided automobile).

*Vacation.* The executive officer would be paid for accrued and unused vacation benefits up to a maximum of four weeks. For purposes of the table below, it is assumed that the executive officers do not have any accrued and unused vacation benefits.

*Outplacement Benefits.* If the executive officer's employment is terminated due to an Employment Termination Event, then he or she will also receive outplacement and related services for 12 months.

The executive officers' employment agreements also provide that all termination payments and obligations of Continental are subject to receipt of a signed and irrevocable release agreement relating to certain legal claims and liabilities against Continental, other than certain claims arising following termination, related to post-termination obligations under the employment agreement or obligations under certain benefit programs.



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Based on compensation and benefit levels as of June 1, 2010 and assuming that the merger is consummated on December 31, 2010 and that each executive officer experiences an Employment Termination Event at that time, the executive officers will receive the following cash severance payments and other benefits (excluding the value of outstanding incentive awards, which are described below). Messrs. Smisek, Compton, Rowe and Bonds and Ms. Foxhall are expected to be part of the executive management team of the combined company and are not expected to experience an Employment Termination Event in connection with the merger.

Executive Officer	Benefits or benefit enhancements provided upon an Employment Termination Event on or following completion of the merger			Benefits provided on all termination events (except as noted below)		
	Cash Severance	Outplacement Services (1)	Additional SERP Credit (2)	Healthcare and Insurance Benefits (3)	Travel Privileges (4)	Automobile Benefits (5)
Jeffery Smisek	\$ 5,475,000	\$ 25,000	\$ 1,060,621	\$ 486,731	\$ 291,407	
James Compton	\$ 2,591,379	\$ 25,000	\$ 610,746	\$ 864,509	\$ 239,930	\$ 49,557
Mark Moran	\$ 2,591,379	\$ 25,000	\$ 730,264	\$ 599,060	\$ 382,423	\$ 56,164
Zane Rowe	\$ 2,591,379	\$ 25,000	\$ 466,179	\$ 1,118,823	\$ 300,203	
Michael Bonds	\$ 2,193,750	\$ 25,000	\$ 553,519	\$ 640,793	\$ 486,055	
Irene Foxhall	\$ 2,362,500	\$ 25,000	\$ 505,077	\$ 388,830	\$ 417,805	
Jennifer Vogel	\$ 2,362,500	\$ 25,000	\$ 643,133	\$ 836,038	\$ 306,729	

- (1) The value of outplacement services represent the fees charged by the external firm whose services are offered.
- (2) The amounts represent the incremental value of the SERP benefit attributable to the additional three years of credited service (subject to certain caps on the amount of credited service that may be accumulated) that is provided to an executive officer if he or she experiences an Employment Termination Event. These amounts would be payable on July 1, 2011 for Mr. Smisek, Mr. Compton and Ms. Foxhall, February 1, 2016 for Mr. Moran, November 1, 2030 for Mr. Rowe, June 1, 2022 for Mr. Bonds, and October 1, 2021 for Ms. Vogel. This amount is in addition to the accrued SERP benefit provided pursuant to the executive officer's employment agreement. If the executive officers' employment with Continental terminated on December 31, 2010, the accrued SERP benefits through the date of termination (determined without regard to the additional three years of credited service described in the first sentence of this footnote) are estimated as follows: Mr. Smisek, \$8,819,455 (partially payable on January 1, 2011 with the remainder payable July 1, 2011); Mr. Compton, \$3,016,251 (partially payable on January 1, 2011 with the remainder payable July 1, 2011); Mr. Moran, \$2,143,558 (payable on February 1, 2016); Mr. Rowe, \$384,893 (payable on November 1, 2030); Mr. Bonds, \$763,683 (payable on June 1, 2022); Ms. Foxhall, \$298,895 (payable on July 1, 2011); and Ms. Vogel, \$1,880,356 (payable on October 1, 2021). The SERP benefit amounts are calculated using a lump-sum interest rate of 5.46%, which is the average of the Moody's Aa Corporate Bond rates for the three-month period ending May 2010. The lump sums were calculated using the actual mortality assumptions under the SERP for payments in 2011. The interest rate for payments made in 2011 will not be determinable until final rates are published for the three-month period ending November 2010. The final assumptions that would apply to the calculations of the lump sum benefits for Messrs. Moran, Rowe and Bonds and Ms. Vogel will not be determinable until the executive officer reaches age 60. The amounts include Continental's reimbursement to the executive officers for the Medicare tax obligations related to the SERP.
- (3) These amounts represent the cost to Continental of providing this benefit. The amounts represent the present values for the health/welfare/life insurance benefit calculated using the same assumptions that were used as of December 31, 2009 for retiree medical plan accounting under ASC 715-60, with the exception of the discount rate. A discount rate of 5.46% was used which is based on market conditions as of March 31, 2010. In addition, the following assumptions were reflected in the health/welfare continued coverage provided to the executive officers: (i) medical and prescription drug trends were expanded for periods beyond age 65, (ii) dependent children were included and assumed to lose eligibility for coverage at age 23 and (iii) coordination with Medicare was assumed to begin at age 65 for medical (with no offset for Medicare Part D).

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- (4) These amounts represent the cost to Continental of providing this benefit. The amounts represent the present value of the flight benefits calculated using a discount rate of 6.17% and mortality assumptions with Projected Mortality Improvements to 2016 (sex distinct) with no collar adjustments. The discount rate is based on market conditions as of March 31, 2010 while the mortality assumptions are the same as those used as of December 31, 2009 for Continental's pension plan accounting under ASC 715-20. Other assumptions include that the lifetime average annual usage and tax reimbursements are equal to actual average annual usage and average annual tax reimbursement amounts in prior years, and that the annual incremental cost to Continental is the same as the average of the incremental cost incurred by Continental to provide flight benefits to the executive in the years 2007 through 2009 (as information for 2010 is not yet available). The tax reimbursement relating to the flight benefits is calculated based on the IRS valuation of the benefit (which value is greater than the incremental cost to Continental of providing such benefits). These amounts do not include the parking benefit for Messrs. Smisek, Compton, Moran and Rowe, which is estimated at approximately \$500 per year for each parking space.
- (5) The amounts represent the value of the automobile benefit based on the carrying value for each executive officer's company vehicle on June 1, 2010.

*Long-Term Incentive and RSU Program.* Each of the executive officers currently has awards outstanding under Continental's Long-Term Incentive and RSU Programs adopted pursuant to Continental's Incentive Plan 2000 and Incentive Plan 2010 (collectively, the LTIP/RSU Program).

*LTIP Awards.* Under Continental's LTIP/RSU Program, outstanding LTIP awards for each relevant three-year performance period that began prior to the merger completion date are deemed, as of such date, to have achieved the stretch performance level and the minimum cash balance requirement but, except as described below, remain subject to continued employment by the participant and continue to be paid on their normal payment date. Except as described below, payment amounts are calculated based on the participant's salary and position at the end of the performance period.

Under the terms of the LTIP, if an executive officer dies, becomes disabled, retires or experiences an Employment Termination Event following the completion of the merger, then the outstanding LTIP awards held by such participant would be accelerated and paid on a prorated basis at the time of such termination based on the fraction of the performance period that the participant was employed and the participant's annual base salary and position at such time. Pursuant to the terms of their employment agreements, Messrs. Smisek, Compton, Moran and Rowe would be paid the full amount with regard to outstanding LTIP awards (rather than the prorated amount), in the event of death, disability or an Employment Termination Event following the completion of the merger.

*Profit Based RSU Awards.* On the merger completion date, the performance targets for outstanding Profit Based RSU awards will be deemed satisfied at 150% (the pre-determined level established by the Continental Human Resources Committee at the time the award was granted) unless a higher level was achieved in a prior fiscal year, and the minimum cash balance requirement is deemed satisfied. Following the completion of the merger, except as described below, payments under all outstanding Profit Based RSUs remain subject to continued employment and will continue to be paid on their normal payment dates over a three-year period. Payments will be made in cash based on the average closing price per share of Continental's common stock for the 20 trading days preceding the merger completion date.

Under the terms of the Profit Based RSU program, if an executive officer dies, becomes disabled, retires or experiences an Employment Termination Event following the completion of the merger, then the full amount of payment with respect to outstanding Profit Based RSU awards held by such participant would be accelerated and paid at the time of such termination.

*Retirement and Retirement Eligibility.* In order to remain in compliance with provisions of Section 409A of the Internal Revenue Code, following the completion of the merger, all participants in the LTIP/RSU Program that are or become eligible for retirement will receive (i) prorated payments

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with respect to their LTIP awards calculated based on stretch performance level (as discussed above), paid at the end of each remaining year in the performance period, no later than March 15 of the following calendar year (instead of a lump-sum payment at the end of the three-year performance period, as is normally the case) and (ii) full payment with respect to their Profit Based RSU awards no later than March 15 of the year following the later of the year in which the completion of the merger occurs or the executive officer first becomes eligible to retire. Although Mr. Smisek is eligible for retirement, Mr. Smisek has indicated his intent to waive his retirement eligibility and the corresponding right to receive early payments with respect to his currently outstanding LTIP and Profit Based RSU awards. Such waiver will result in Mr. Smisek's receipt of such payments on the payment dates otherwise specified in the LTIP/RSU Program for non-retirement eligible participants (assuming he continues in employment as required under the program) or, if earlier, upon his termination of employment by reason of death, disability or an Employment Termination Event. Ms. Foxhall is also eligible for retirement, and the other executive officers become retirement eligible as follows: Mr. Compton, November 6, 2010; Mr. Moran, January 18, 2011; Mr. Rowe, October 30, 2020; Mr. Bonds, February 13, 2015; and Ms. Vogel, September 15, 2015. If Mr. Smisek, Mr. Compton or Ms. Foxhall choose to retire on the closing date of the merger, and assuming a merger completion date of December 31, 2010, the prorated payments they will be eligible to receive, no later than March 15, 2011, with respect to their outstanding LTIP awards granted in 2008, 2009 and 2010 will be \$2,463,750, \$1,642,500 and \$820,501, respectively, for Mr. Smisek, \$893,793, \$575,862 and \$330,819, respectively, for Mr. Compton, and \$551,250, \$367,500 and \$236,034, respectively, for Ms. Foxhall. Such amounts are calculated using each executive officer's base salary in effect on June 1, 2010 and assuming that such amounts will remain unchanged through the end of the performance period.

The following table summarizes the estimated value of Annual Executive Incentive Program, LTIP and Profit Based RSU awards held by the executive officers as of June 1, 2010 that will vest assuming that (i) the merger is consummated on December 31, 2010 and (ii) each executive officer experiences an Employment Termination Event at that time. Messrs. Smisek, Compton, Rowe and Bonds and Ms. Foxhall are expected to be part of the executive management team of the combined company and are not expected to experience an Employment Termination Event in connection with the merger.

Executive Officer	Annual Executive Incentive Program (1)	LTIP (2)	Profit Based RSUs (3)
Jeffery Smisek	\$ 1,095,000	\$ 7,391,250	\$ 6,379,275
James Compton	\$ 575,862	\$ 2,720,948	\$ 3,669,225
Mark Moran	\$ 575,862	\$ 2,720,948	\$ 3,669,225
Zane Rowe	\$ 575,862	\$ 2,720,948	\$ 3,440,850
Michael Bonds	\$ 487,500	\$ 1,072,300	\$ 2,740,500
Irene Foxhall	\$ 525,000	\$ 1,154,784	\$ 2,740,500
Jennifer Vogel	\$ 525,000	\$ 1,154,784	\$ 2,740,500

- (1) The amount is calculated using the executive officer's base salary as of June 1, 2010 multiplied by 150%.
- (2) The amount represents the sum of the stretch level payout for the three-year LTIP performance periods ending on each of December 31, 2010, December 31, 2011 and December 31, 2012. The amount is calculated using the executive officers' base salaries and positions in effect on June 1, 2010. The amount for each of Messrs. Smisek, Compton, Moran and Rowe represents the full value of all outstanding LTIP awards (rather than a prorated amount) pursuant to the terms of their employment agreements. The amount for Mr. Bonds, Ms. Foxhall and Ms. Vogel represents the full value for the LTIP award for the performance period ending on December 31, 2010, a two-thirds prorated value for the LTIP award for the performance period ending on December 31, 2011 and a one-third prorated value for the LTIP award for the performance period ending on December 31, 2012.
- (3) The amount represents the sum of the payouts for the outstanding Profit Based RSU awards granted to the executive officers in 2008, 2009, and 2010. The amount is calculated using the average closing price of

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Continental's common stock for the 20 trading days preceding June 1, 2010, which was \$20.30 per share, and a payout percentage of 150% for each award.

*Reimbursement for Excise Taxes.* Section 4999 of the Internal Revenue Code imposes an excise tax on excess parachute payments made to an executive in connection with a change in control as described in Section 280G of the Internal Revenue Code. If benefits to be provided to an executive officer in connection with a change in control would subject him or her to such excise tax, Continental has agreed to reimburse or gross-up each executive officer for the incremental tax cost of the benefits. This gross-up obligation applies regardless of whether the executive officer's employment with Continental terminates or continues in connection with the completion of the merger. If Continental's executive officers experience an Employment Termination Event in connection with the merger (assuming a merger completion date of December 31, 2010 and award values and severance benefits as described above), Continental estimates the amount of the reimbursement for Internal Revenue Code Section 4999 excise taxes payable to be as follows: Mr. Smisek, \$7,753,000; Mr. Compton, \$3,620,000; Mr. Moran, \$3,678,000; Mr. Rowe, \$3,882,000; Mr. Bonds, \$2,520,000; Ms. Foxhall \$2,698,000; and Ms. Vogel, \$2,604,000. However, certain elements of compensation may not be subject to the excise tax, depending on the actual timing and circumstances surrounding a termination upon or following a change in control. Messrs. Smisek, Compton, Rowe and Bonds and Ms. Foxhall are expected to be part of the executive management team of the combined company and are not expected to experience an Employment Termination Event in connection with the merger. Accordingly, the values shown above may be larger than amounts that would actually be paid to the executive officer.

*Certain Post Termination Obligations.* Continental entered into Confidentiality and Non-Competition Agreements with its executive officers that include an 18-month non-compete obligation (12 months in the case of Mr. Bonds, Ms. Foxhall and Ms. Vogel) following termination of the executive officer's employment, except if such termination results from an Employment Termination Event. The non-compete provisions prohibit the executive officers from serving in an executive, advisory or consulting capacity for any passenger air carrier in the U.S. or in any foreign country in which Continental has an office, station or branch as of the date of termination of employment with Continental. Following a termination of employment, each executive officer is also subject to a two-year restriction from soliciting the employment of any Continental employee.

*Indemnification.* Executive officers of Continental also have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger. Please see The Merger Agreement Other Covenants and Agreements.

***Benefits Arrangements with the Combined Company***

As described under The Merger Agreement Employee Benefits Matters, the merger agreement requires UAL to continue to provide certain compensation and benefits for six months following completion of the merger to all Continental and UAL employees (other than collectively bargained employees), including the executive officers of Continental who remain employed by the combined company following completion of the merger.

***Compensation Arrangements with the Combined Company***

Prior to the completion of the merger, Continental is permitted to set Mr. Smisek's compensation package, including the terms of his employment agreement, as chief executive officer of the combined company, subject to the review and consent process agreed upon in the merger agreement. The merger agreement provides that Mr. Smisek's employment agreement and compensation package will be negotiated between Mr. Smisek and the Continental HRC, subject to the approval of the UAL HRSC, which must consider such employment agreement and compensation package in good faith. The UAL HRSC will have the opportunity to request changes to Mr. Smisek's employment agreement and compensation package, and in such a case, the Continental HRC and UAL HRSC will work together to negotiate such changes. Continental expects to finalize Mr. Smisek's employment agreement and compensation package prior to the closing of the merger, and will disclose the details of the arrangement on a Form 8-K.

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It is also anticipated that prior to the completion of the merger, new employment arrangements may be entered into with Messrs. Compton, Rowe and Bonds and Ms. Foxhall, who are expected to be part of the management team of the combined company, specifying compensation and certain other terms of their employment following completion of the merger. Once the details of their employment arrangements have been finalized, they will be disclosed on a Form 8-K.

### ***Non-Employee Directors***

***Stock Options and Restricted Stock.*** Continental's non-employee directors have historically received an annual grant of stock options to purchase 7,500 shares of Continental common stock at an exercise price equal to the closing price of such stock on the date of grant. These options were fully vested upon grant, have a 10-year term and are exercisable until the earlier of the expiration of such term or the first anniversary of the date upon which the director ceases to be a member of Continental's board of directors. See *The Merger Agreement Treatment of Continental Stock Options and Other Stock Based Awards and Programs* for a description of the impact of the merger on these option awards. In February 2010, Continental's board determined, upon the recommendation of its Human Resources Committee, that future annual equity awards to its non-management directors will be made in shares of restricted stock with an aggregate value of \$50,000. The forfeiture and transfer restrictions on these shares lapse on the one year anniversary of the grant date (subject to earlier vesting upon the death or disability of the director or on the last day of service as a member of the board with respect to any director (i) who is ineligible for nomination to the board pursuant to the terms of Continental's Corporate Governance Guidelines related to age or (ii) who is removed from service on the board upon or following a change in control). Vesting of the restricted stock awards granted in June 2010 will accelerate with respect to a director who is removed from the board following the merger completion date. Upon the lapse of these restrictions, Continental's non-management directors are required to hold 50% of the shares of previously restricted stock for an additional one-year period pursuant to Continental's Corporate Governance Guidelines unless the director discontinues service on Continental's board, in which case this additional holding period requirement no longer applies.

***Indemnification.*** Directors of Continental also have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger. Please see *The Merger Agreement Other Covenants and Agreements*.

### **Board of Directors and Management Following the Merger**

Immediately following the effective time of the merger, the board of directors of the combined company will consist of sixteen members, including: (i) six of the independent directors of UAL immediately prior to the merger, to be selected by UAL, (ii) six of the independent directors of Continental immediately prior to the merger, to be selected by Continental, (iii) Mr. Tilton (the current chairman of the board, president and chief executive officer of UAL), (iv) Mr. Smisek (the current chairman of the board, president and chief executive officer of Continental), (v) the UAL director immediately prior to the merger who was elected by the holder of the Class Pilot MEC Junior Preferred Stock and (vi) the UAL director immediately prior to the merger who was elected by the holder of the Class IAM Junior Preferred Stock. As of the date of this joint proxy statement/prospectus, neither UAL nor Continental has made a determination as to which independent directors to appoint to the board of directors of the combined company. The fees and/or other remuneration to be provided to the non-employee directors of the combined company have not been determined.

Upon completion of the merger, Mr. Tilton will serve as non-executive chairman of the board of the combined company through the later of December 31, 2012 and the second anniversary of the closing of the merger, and Mr. Smisek will serve as the chief executive officer of the combined company. Mr. Smisek will also become executive chairman of the board of the combined company upon Mr. Tilton's ceasing to be non-executive chairman. The combined company's executive management team is expected to include Zane Rowe of Continental as chief financial officer, Peter McDonald of UAL as chief operating officer, Thomas

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Sabatino of UAL as general counsel, James Compton of Continental as chief marketing officer, Keith Halbert of UAL as chief information officer, Michael Bonds of Continental to lead human resources and labor relations, Jeff Foland of UAL to lead the combined airline's loyalty program and Irene Foxhall of Continental to oversee communications and government affairs.

The Integration Steering Committee is led by Mr. Tilton and Mr. Smisek and includes Mr. McDonald, UAL's executive vice president and chief administrative officer, Kathryn Mikells, UAL's executive vice president and chief financial officer, Mr. Compton, Continental's executive vice president and chief marketing officer, and Mr. Rowe, Continental's executive vice president and chief financial officer. The Integration Steering Committee will be focused on defining the process for integrating UAL and Continental.

## **Regulatory Clearances Required for the Merger**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), UAL and Continental must file notifications with the Federal Trade Commission and the Antitrust Division and observe a mandatory pre-merger waiting period before completing the merger. On May 7, 2010, each of UAL and Continental filed its notification under the HSR Act. On June 7, 2010, the waiting period under the HSR Act was extended by the Antitrust Division's issuance of a Second Request. The parties are responding to the Second Request and currently expect the closing of the merger to occur in the fourth quarter of 2010. UAL and Continental are committed to working cooperatively with the Antitrust Division staff as it conducts its review of the proposed acquisition. UAL and Continental filed a merger notification with the European Commission on June 21, 2010. On July 27, 2010, the European Commission approved the merger.

In addition to the antitrust related filings and clearances discussed above, UAL and Continental must obtain approvals from various other U.S. regulatory agencies, including the DOT and the FAA, as well as certain foreign regulatory authorities, except where the failure to obtain any such approval will not reasonably be expected to have a material adverse effect on either UAL or Continental. UAL and Continental have also filed notifications with competition authorities in Canada, Brazil, Mexico, Russia and Japan. On July 2, 2010, the Canadian Competition Bureau issued a No-Action Letter. On July 30, 2010, the Russian Competition Authority approved the merger.

Furthermore, following public announcement of the merger, UAL and Continental received informal inquiries from the antitrust sections of the offices of several state attorneys general, as well as requests for documents submitted to the Antitrust Division. UAL and Continental are working to ensure that those offices receive the relevant information regarding the transaction.

UAL and Continental cannot assure you that the Antitrust Division or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the merger before or after it is completed. Any such challenge to the merger could result in a court order enjoining the merger or in restrictions or conditions that would have a material adverse effect on the combined company if the merger is completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses. Under the terms of the merger agreement, each of UAL and Continental is required to commit to any divestitures or similar arrangements with respect to its assets or conduct of business arrangements if that divestiture or arrangement is a condition to obtain any clearance or approval from any governmental entity in order to complete the merger and would not have a material adverse effect on either company. No additional stockholder approval is expected to be required or sought for any decision by UAL or Continental after the UAL special meeting and the Continental special meeting to agree to any terms and conditions necessary to resolve any regulatory objections to the merger.

## **Exchange of Shares in the Merger**

Prior to the effective time of the merger, UAL and Continental will appoint an exchange agent to handle the exchange of shares of Continental common stock for shares of UAL common stock. At the effective time of the

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merger, shares of Continental common stock will be converted into the right to receive shares of UAL common stock without the need for any action by the holders of Continental common stock.

As soon as reasonably practicable after the effective time of the merger, UAL will cause the exchange agent to send a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any certificates representing Continental shares shall pass, only upon proper delivery of such certificates to the exchange agent. The letter will also include instructions explaining the procedure for surrendering Continental stock certificates in exchange for shares of UAL common stock in book-entry form.

After the effective time of the merger, shares of Continental common stock will no longer be outstanding, will be automatically canceled and will cease to exist and each certificate, if any, that previously represented shares of Continental common stock will represent only the right to receive the merger consideration as described above. With respect to such shares of UAL common stock deliverable upon the surrender of Continental stock certificates, until holders of such Continental stock certificates have surrendered such stock certificates to the exchange agent for exchange, those holders will not receive dividends or distributions with respect to such shares of UAL common stock with a record date after the effective time of the merger.

Continental stockholders will not receive any fractional shares of UAL common stock pursuant to the merger. Instead of any fractional shares, Continental stockholders will be paid an amount in cash for such fraction calculated by multiplying the fractional share interest to which such holder would otherwise be entitled by (i) if the UAL common stock is listed on the NASDAQ at the effective time of the merger, the NASDAQ Official Closing Price of UAL common stock or (ii) if the UAL common stock is listed on the NYSE at the effective time of the merger, the last reported sale price of UAL common stock, as reported on the NYSE Composite Transactions Tape, in each case on the first trading day immediately following the date on which the merger is effective.

UAL stockholders need not take any action with respect to their stock certificates.

### **Treatment of UAL Stock Options and Other Long-Term Incentive Awards**

Except as set forth below, upon completion of the merger, all outstanding equity-based awards granted under the ICP and the MEIP will become immediately vested in full and all outstanding long-term cash incentive awards will be deemed to have been achieved at target and will be paid out on a prorated basis.

The ICP and the MEIP define a change of control to include a merger if, immediately following the merger, UAL's stockholders do not continue to hold a majority of the voting power of the combined company. In addition, under the terms of the ICP, the board of directors of UAL has the authority to determine that an event or transaction will constitute a change of control for purposes of the plan. Given that (1) the merger is structured as a merger of equals and the two companies had similar market capitalization as of the date of the merger agreement, (2) the merger will result in a change of control for purposes of Continental's outstanding long-term incentive awards and (3) the chief executive officer will be from Continental and half of the independent directors of the board of the combined company will be designated by Continental, the board of directors of UAL determined that the merger should be considered a change of control for purposes of the ICP. Accordingly, except as described below, outstanding equity-based awards granted under the ICP will become immediately vested in full, and long-term cash incentive awards will be deemed to have been achieved at target and will be paid out on a prorated basis upon completion of the merger. In addition, the Human Resources Subcommittee of the board of directors of UAL amended the terms of all outstanding equity-based awards granted under the MEIP to provide that, except in certain circumstances described below, such awards will become immediately vested in full upon completion of the merger.

Mr. Tilton has waived all accelerated vesting of his equity-based awards and the vesting of such awards will continue to be based on his service as non-executive chairman of the board of the combined company following

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completion of the merger. Furthermore, in consideration for the protections provided under the Management Retention Agreements with many of UAL's other officers (including all of UAL's executive officers other than Mr. Tilton), such officers have waived their rights to accelerated vesting of all their outstanding long-term incentive awards upon completion of the merger. Instead, stock options, restricted shares, restricted stock units and long-term cash incentive awards held by these officers will remain unvested upon completion of the merger and will vest following the merger only if the officer remains employed by the combined company through the applicable vesting date or if the officer's employment is terminated by the combined company without cause or by the officer for good reason (each, as defined in the Management Retention Agreements). For more information see *Interests of UAL's Directors and Executive Officers in the Merger Treatment of Equity Awards Waiver of Accelerated Vesting*.

Further, with respect to officers who are party to Management Retention Agreements, upon the completion of the merger, (1) restricted shares and restricted stock units will be converted into a fixed amount in cash based on the average closing price of UAL common stock for the 20 trading days preceding the completion of the merger and (2) performance under the long-term cash incentive awards will be deemed to have been achieved at the target level and will be paid in full upon vesting, rather than on a prorated basis.

**Treatment of Continental Stock Options and Other Long-Term Incentive Awards**

*Stock Options.* Upon completion of the merger, each outstanding option to purchase Continental common stock granted pursuant to the Continental Incentive Plan 2010, the Continental Incentive Plan 2000, the Continental 1998 Stock Incentive Plan, the Continental 1997 Stock Incentive Plan, the Continental 2005 Pilot Supplemental Option Plan or the Continental 2005 Broad Based Employee Stock Option Plan will be converted pursuant to the merger agreement into a stock option to acquire shares of UAL common stock on the same terms and conditions as were in effect immediately prior to the completion of the merger. All outstanding stock options granted under the Continental 2005 Pilot Supplemental Option Plan and the Continental 2005 Broad Based Employee Stock Option Plan are already fully vested. Outstanding stock options granted under the Continental Incentive Plan 2000, the Continental 1998 Stock Incentive Plan, and the Continental 1997 Stock Incentive Plan will vest in full upon completion of the merger. The number of shares of UAL common stock underlying each converted Continental stock option will be determined by multiplying the number of shares of Continental common stock subject to such stock option immediately prior to the completion of the merger by the exchange ratio, and rounding down to the nearest whole share. The exercise price per share of each converted Continental stock option will be determined by dividing the per share exercise price of such stock option by the exchange ratio, and rounding up to the nearest whole cent.

*LTIP Awards.* Upon completion of the merger, each outstanding Continental long-term incentive plan (LTIP) award for each relevant three-year performance period that began prior to the effective date of the merger will be deemed, as of such date, to have achieved the stretch performance level and the minimum cash balance requirement but, except as described below, will remain subject to continued employment by the participant and continue to be paid on the normal payment date. Payment amounts are calculated based on the participant's salary and position at the end of the performance period, or if earlier on the date of the participant's death, disability, retirement or Employment Termination Event (as defined in the section of this joint proxy statement/prospectus entitled *Interests of Continental Directors and Executive Officers in the Merger*). Upon termination of employment under certain circumstances following the merger, the outstanding Continental LTIP awards will be accelerated and paid in full, in the case of Messrs. Smisek, Compton, Moran and Rowe, or pro rata, in the case of the other participants. Accelerated payments will also be made to participants who are or become eligible to retire.

*Profit Based RSUs.* Upon completion of the merger, the Continental Profit Based RSU performance targets for each performance period that is still open will be deemed satisfied at 150% (the pre-determined level established by the Continental Human Resources Committee at the time the award was granted) unless a higher level was achieved in a prior fiscal year, and the minimum cash balance requirement will be deemed satisfied. Following the merger, with limited exceptions as described below, payments under all outstanding Profit Based



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RSUs will remain subject to continued employment by the participant and will continue to be paid on their normal payment dates over a three-year period. Payments will be made in cash based on the average closing price per share of Continental common stock for the 20 trading days preceding the completion of the merger. Upon termination of employment under certain circumstances following the merger, the outstanding Continental Profit Based RSUs will be accelerated and paid in full. Accelerated payments will also be made to participants who are or become eligible to retire.

*Stock Based Awards.* Restricted stock granted to non-employee directors under Continental's Incentive Plan 2010 will also be converted, pursuant to the merger agreement, into restricted shares of UAL common stock, and all of the terms and restrictions applicable to the Continental restricted shares will apply to the restricted shares of UAL common stock. Currently, there are no other stock based awards outstanding (other than Continental stock options and cash-settled Profit Based RSU awards granted under Continental's Long Term Incentive and RSU Programs). If additional stock based awards are granted prior to the completion of the merger, then such Continental stock based awards would be converted into shares of UAL common stock or other compensatory awards denominated in shares of UAL common stock subject to risk of forfeiture to, or right of repurchase by, UAL with the same terms and conditions as applicable under such Continental stock based awards, except to the extent otherwise required by the terms of such Continental stock based awards or pursuant to any Continental benefit plan or employment agreement. Each Continental stock based award would be converted into a number of shares of UAL common stock at the exchange ratio.

*2004 Employee Stock Purchase Plan.* No less than five days prior to the effective time of the merger, Continental will cause the then-current purchase period under the Continental 2004 Employee Stock Purchase Plan to end and use the accumulated funds to acquire shares of Continental common stock. At the effective time of the merger, the purchased shares of Continental common stock under the stock purchase plan will be converted into shares of UAL common stock at the exchange ratio. At the effective time of the merger, the Continental 2004 Employee Stock Purchase Plan will terminate.

## **Dividend Policy**

UAL does not currently pay quarterly cash dividends on shares of its common stock. Any future determination regarding dividend or distribution payments will be at the discretion of the UAL board of directors, subject to applicable limitations under Delaware law.

## **Listing of UAL Common Stock**

It is a condition to the completion of the merger that the shares of UAL common stock to be issued pursuant to the merger be authorized for listing on the NYSE or NASDAQ, as reasonably agreed upon by UAL and Continental, subject to official notice of issuance. As of the date of this joint proxy statement/prospectus, UAL and Continental have not yet determined the exchange on which the shares of the combined company will be listed or the symbol under which they will trade.

## **De-Listing and Deregistration of Continental Stock**

Upon completion of the merger, the Continental common stock currently listed on the NYSE will cease to be listed on the NYSE and will subsequently be deregistered under the Exchange Act.

## **No Appraisal Rights**

Under Delaware law, holders of UAL capital stock and Continental common stock are not entitled to appraisal rights in connection with the merger. See the section entitled "No Appraisal Rights" beginning on page 136.

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**Litigation Related to the Merger**

On May 3, 2010, Kenneth M. Page filed a putative class action petition on behalf of Continental's stockholders in the Texas District Court for Harris County against UAL, Continental and the members of Continental's board of directors (the Page petition). The Page petition generally alleges that the consideration to be received by Continental's stockholders in the merger is inadequate and that the Continental directors breached their fiduciary duties by, among other things, approving the merger at an inadequate price under circumstances involving certain conflicts of interest. The Page petition also alleges that the Continental directors breached their fiduciary duties by adopting certain defensive measures that preclude an alternative transaction. The Page petition further alleges that Continental and UAL aided and abetted the Continental directors in the breach of their fiduciary duties to Continental's stockholders. The Page petition seeks injunctive relief: (i) declaring that the merger agreement was entered into in breach of the Continental directors' fiduciary duties and is therefore unlawful and unenforceable; (ii) enjoining Continental and UAL from proceeding with the merger unless Continental implements procedures to obtain the highest possible price for its stockholders; (iii) directing the Continental board to exercise its fiduciary duties to obtain a transaction that is in the best interests of Continental's stockholders; and (iv) rescinding, to the extent already implemented, the merger agreement. The Page petition also seeks to recover costs and disbursements from the defendants, including reasonable attorneys' and experts' fees. The lawsuit is in a preliminary stage. UAL, Continental and the Continental board of directors believe that this lawsuit is without merit and intend to defend it vigorously.

On May 5, 2010, Israel Friedman filed a substantively identical putative class action petition on behalf of Continental's stockholders in the same court against the defendants referenced above (the Friedman petition). The allegations set forth in the Friedman petition, as well as the relief requested, are generally the same as those set forth in the Page petition described above. The Friedman petition further alleges that the Continental board failed to disclose all material information necessary for Continental's stockholders to vote on the merger. This lawsuit is also in a preliminary stage. UAL, Continental and the Continental board of directors believe that this lawsuit is without merit and intend to defend it vigorously.

On May 7, 2010, Colleen Witmer filed a putative class action petition on behalf of Continental's stockholders in the Texas District Court for Harris County against the defendants referenced above (the Witmer petition). The allegations set forth in the Witmer petition are generally the same as those set forth in the Page and Friedman petitions. The Witmer petition seeks injunctive relief: (i) declaring that the merger agreement was entered into in breach of the Continental directors' fiduciary duties and is therefore unlawful and unenforceable; (ii) rescinding and invalidating the merger agreement or any other agreement entered into in connection with, or in furtherance of, the merger; (iii) enjoining Continental and UAL from consummating the merger; (iv) directing the Continental board to exercise its fiduciary duties to obtain a transaction which is in the best interests of Continental's stockholders; and (v) imposing a constructive trust in favor of the plaintiff and the putative class upon any benefits allegedly improperly received by defendants as a result of their allegedly wrongful conduct. The Witmer petition also seeks to recover costs and disbursements from the defendants, including reasonable attorneys' and experts' fees. This lawsuit is also in a preliminary stage. UAL, Continental and the Continental board of directors believe that this lawsuit is without merit and intend to defend it vigorously.

On May 11, 2010, Mr. Page filed a motion seeking consolidation of all the above actions and appointment of his counsel as interim class counsel. A hearing on the motion was held on May 24, 2010. At the conclusion of the hearing, the District Court granted Mr. Page's motion and consolidated the Page, Friedman and Witmer actions (the Consolidated Action). On July 30, 2010, plaintiffs in the Consolidated Action filed an amended and consolidated petition.

On August 1, 2010, the parties to the Consolidated Action reached an agreement in principle regarding settlement of the Consolidated Action (the Settlement). Under the Settlement, the Consolidated Action will be dismissed with prejudice on the merits and all defendants will be released from any and all claims relating to, among other things, the merger and any disclosures made in connection therewith. The Settlement is subject to

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customary conditions, including consummation of the merger, completion of certain confirmatory discovery, class certification, and final approval by the District Court.

In exchange for that release, UAL and Continental have provided additional disclosures requested by plaintiffs in the Consolidated Action related to, among other things, the negotiations between Continental and UAL that resulted in the execution of the merger agreement, the method by which the exchange ratio was arrived at, the procedures used by UAL's and Continental's financial advisors in performing their financial analyses and certain investment banking fees paid to those advisors by UAL and Continental over the past two years.

The settlement will not affect any provision of the merger agreement or the form or amount of the consideration to be received by Continental stockholders in the merger.

The defendants have denied and continue to deny any wrongdoing or liability with respect to all claims, events, and transactions complained of in the aforementioned litigations or that they have engaged in any wrongdoing. The defendants have entered into the Settlement to eliminate the uncertainty, burden, risk, expense, and distraction of further litigation. The foregoing description of the Settlement does not purport to be complete.

On June 29, 2010, several purported purchasers of airline tickets and travel agents filed an antitrust lawsuit in the U.S. District Court for the Northern District of California against Continental and UAL in connection with the merger. The plaintiffs allege that the merger, if consummated, may substantially lessen competition or tend to create a monopoly in the transportation of airline passengers in the United States and the transportation of airline passengers to and from the United States on international flights, in violation of Section 7 of the Clayton Act. The complaint states that the plaintiffs will seek a preliminary and permanent injunction to prohibit the merger, as well as costs and attorneys fees. The Settlement does not apply to this action. UAL and Continental believe that this action is without merit and intend to defend it vigorously.

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**THE MERGER AGREEMENT**

The following section summarizes material provisions of the merger agreement, which is included in this joint proxy statement/prospectus as Annex A and is incorporated herein by reference in its entirety. The rights and obligations of UAL and Continental are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this joint proxy statement/prospectus. UAL and Continental stockholders are urged to read the merger agreement carefully and in its entirety as well as this joint proxy statement/prospectus before making any decisions regarding the merger, including the adoption of the merger agreement, the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger or the adoption of UAL's amended and restated certificate of incorporation, as applicable.

The merger agreement is included in this joint proxy statement/prospectus to provide you with information regarding its terms and is not intended to provide any factual information about UAL or Continental. The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

may not be intended as statements of fact, but rather as a way of allocating the risk between the parties in the event the statements therein prove to be inaccurate;

have been qualified by certain disclosures that were made between the parties in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement itself; and

may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 141.

This summary is qualified in its entirety by reference to the merger agreement.

**Terms of the Merger; Merger Consideration**

The merger agreement provides that, on the terms and subject to the conditions set forth in the merger agreement and in accordance with the General Corporation Law of the State of Delaware ( "DGCL" ), at the effective time of the merger, Merger Sub, a Delaware corporation and wholly owned subsidiary of UAL, will merge with and into Continental. Continental will be the surviving corporation in the merger and will become a wholly owned subsidiary of UAL. At the effective time of the merger, each outstanding share of Continental common stock (other than shares owned by Continental, UAL or Merger Sub, which will be canceled and cease to exist) will be converted into the right to receive 1.05 shares of UAL common stock (the "exchange ratio" ).

UAL will not issue fractional shares of UAL common stock pursuant to the merger agreement. Instead, each Continental stockholder who otherwise would have been entitled to receive a fraction of a share of UAL common stock will receive in lieu thereof and, upon surrender of his or her shares of Continental common stock, an amount in cash for such fraction calculated by multiplying the fractional share interest to which such holder would otherwise be entitled by (i) if the UAL common stock is listed on the NASDAQ at the effective time of the merger, the NASDAQ Official Closing Price of UAL common stock as reported in the Wall Street Journal (Northeast edition) or (ii) if the UAL common stock is listed on the NYSE at the effective time of the merger, the last reported sale price of UAL common stock, as reported on the NYSE Composite Transactions Tape, in each case, on the first trading day immediately following the date on which the merger is effective.

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The exchange ratio will be adjusted appropriately and proportionately to fully reflect the effect of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination, exchange of shares or other similar event with respect to the shares of either UAL common stock or Continental common stock prior to the effective time of the merger.

### **Completion of the Merger**

Unless the parties agree otherwise, the closing of the merger will take place no later than the second business day after all conditions to the completion of the merger have been satisfied or waived. The merger will be effective when the parties duly file the certificate of merger with the Secretary of State of the State of Delaware, or at such later time as the parties agree and specify in the certificate of merger. UAL's amended and restated certificate of incorporation will be filed immediately prior to the filing of the certificate of merger and will become effective at the same time as the merger.

UAL and Continental currently expect the closing of the merger to occur in the fourth quarter of 2010. However, as the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions described in the merger agreement, it is possible that factors outside the control of UAL and Continental could result in the merger being completed at an earlier time, a later time or not at all.

### **Exchange of Shares in the Merger**

Prior to the effective time of the merger, UAL and Continental will appoint an exchange agent to handle the exchange of shares of Continental common stock for shares of UAL common stock. At the effective time of the merger, shares of Continental common stock will be converted into the right to receive shares of UAL common stock without the need for any action by the holders of Continental common stock.

As soon as reasonably practicable after the effective time of the merger, UAL will cause the exchange agent to send a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any certificates representing Continental shares shall pass, only upon proper delivery of such certificates to the exchange agent. The letter will also include instructions explaining the procedure for surrendering Continental stock certificates in exchange for shares of UAL common stock in book-entry form.

After the effective time of the merger, shares of Continental common stock will no longer be outstanding, will be automatically canceled and will cease to exist and each certificate, if any, that previously represented shares of Continental common stock will represent only the right to receive the merger consideration as described above, any cash in lieu of fractional shares of UAL common stock and any dividends or other distributions to which the holders of the certificates become entitled upon surrender of such certificates. With respect to such shares of UAL common stock deliverable upon the surrender of Continental stock certificates, until holders of such Continental stock certificates have surrendered such stock certificates to the exchange agent for exchange, those holders will not receive dividends or distributions with respect to such shares of UAL common stock with a record date after the effective time of the merger.

### **Representations and Warranties**

The merger agreement contains reciprocal representations and warranties. Each of UAL and Continental have made representations and warranties regarding, among other things:

organization, standing and corporate power;

ownership of subsidiaries;

capital structure;

authority with respect to the execution and delivery of the merger agreement, and the due and valid execution and delivery and enforceability of the merger agreement;



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absence of conflicts with, or violations of, organizational documents, other contracts and applicable laws;

required regulatory filings and consents and approvals of governmental entities;

SEC documents and financial statements;

absence of undisclosed liabilities and off-balance-sheet arrangements;

brokers' fees payable in connection with the merger;

absence of certain changes and events from the end of the first fiscal quarter of 2010 to the date of execution of the merger agreement;

absence of certain litigation;

tax matters;

benefits matters and ERISA compliance;

collective bargaining agreements and other labor matters;

internal controls and disclosure controls and procedures;

compliance with applicable laws and permits;

material contracts;

environmental matters;

inapplicability of state takeover statutes;

accuracy of information supplied or to be supplied for use in this joint proxy statement/prospectus;

absence of transactions, contracts or arrangements with affiliates requiring disclosure under the securities laws;

matters with respect to aircraft and slots, as well as joint ventures and alliances with other airlines;

intellectual property;

absence of any material interference with airport operations at major airports;

compliance with the Foreign Corrupt Practices Act;

status as a U.S. citizen and an air carrier ; and

opinions from financial advisors.

The merger agreement also contains certain representations and warranties of UAL with respect to its wholly owned subsidiary, Merger Sub, including, without limitation, corporate organization, lack of prior business activities, capitalization, absence of material assets or liabilities and authority with respect to the execution and delivery of the merger agreement.

Many of the representations and warranties in the merger agreement are qualified by a materiality or material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect). For purposes of the merger agreement, a material adverse effect means, with respect to a party, any events or developments that, individually or taken together, materially adversely affect the business, properties, financial condition or results of operations of such party and its subsidiaries, taken as a whole, except that the definition of material adverse effect excludes any effect that results from or arises in connection with:

changes or conditions generally affecting the industries in which such party and any of its subsidiaries operate, including increases in the price of fuel (unless such changes or conditions have a disproportionate effect on such party relative to other network carriers operating in the airline industry);



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general economic or regulatory, legislative or political conditions or securities, credit, financial or other capital markets conditions in the U.S. or any foreign jurisdiction (unless such conditions have a disproportionate effect on such party relative to other network carriers operating in the airline industry);

any failure, in and of itself, by such party to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (however, the facts or occurrences giving rise to such failure may be deemed to constitute or be taken into account in determining whether there has been or will be a material adverse effect);

entering into the merger agreement or the public announcement or pendency of the merger or any of the other transactions contemplated by the merger agreement, including the impact of so entering into the merger agreement on the relationships of such party or any of its subsidiaries with employees, labor unions, customers, suppliers or partners, and including any lawsuit, action or proceeding relating to the merger or any of the other transactions contemplated by the merger agreement (except that this exclusion does not apply to any representations or warranties that expressly address the foregoing);

any change, in and of itself, in the market price, credit rating or trading volume of such party's securities (however, the facts or occurrences giving rise to such a change may be deemed to constitute or be taken into account in determining whether there has been or will be a material adverse effect);

any change in applicable law, regulation or GAAP (or authoritative interpretation thereof) (unless such change has a disproportionate effect on such party relative to other network carriers operating in the airline industry);

geopolitical conditions, the outbreak of a pandemic or other widespread health crisis, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism threatened or underway as of the date of the merger agreement (unless such event has a disproportionate effect on such party relative to other network carriers operating in the airline industry); or

any hurricane, tornado, flood, earthquake, volcano eruption or natural disaster (unless such event has a disproportionate effect on such party relative to other network carriers operating in the airline industry).

## **Conduct of Business**

Each of UAL and Continental has agreed to certain covenants in the merger agreement restricting the conduct of its business between the date of the merger agreement and the effective time of the merger. In general, each of UAL and Continental has agreed to (i) conduct its business in the ordinary course in all material respects, (ii) use reasonable best efforts to maintain and preserve intact its business organization and advantageous business relationships and retain the services of its officers and key employees and (iii) take no action that would prohibit or materially impair or delay the ability of either party to obtain any necessary regulatory or other governmental approvals or consummate the merger.

In addition, each of UAL and Continental has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the effective time of the merger, including, but not limited to, the following (subject, in each case, to exceptions specified below and in the merger agreement or previously disclosed in writing to the other party as provided in the merger agreement):

incurring any indebtedness, except for indebtedness incurred (i) in the ordinary course of business consistent with past practice, (ii) outside the ordinary course of business up to \$300 million in the aggregate or (iii) in the ordinary course of business in connection with refinancing of indebtedness existing as of the date of the merger agreement;

adjusting, splitting, combining, or reclassifying any of its capital stock;

making, declaring or paying dividends or other distributions on any of its capital stock;

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redeeming, purchasing or otherwise acquiring its own capital stock or other voting securities or equity interests;

granting any stock appreciation rights or rights to acquire any shares of its capital stock, voting securities or equity interests;

issuing, delivering, selling, granting, pledging or otherwise encumbering shares of its capital stock, or other voting securities or equity interests;

making material changes to its benefit plans or increasing compensation and benefits paid to employees;

adopting, entering into terminating or amending any of its collective bargaining agreements, except as required by applicable law;

selling, transferring, mortgaging, encumbering or otherwise disposing of any its material properties or assets other than in the ordinary course of business consistent with past practice;

entering into any material new line of business;

settling material claims, actions or proceedings, except settlements in the ordinary course of business and settlements subject to (and not materially in excess of) reserves;

making any acquisition or investment other than in the ordinary course of business consistent with past practice;

making capital expenditures other than in the ordinary course of business consistent with past practice or as disclosed in its capital plans or for in-flight internet access;

amending its charter, bylaws or equivalent organizational documents;

taking actions that are intended or reasonably expected to result in any of the conditions of the merger not being satisfied except as required by applicable law;

entering into or amending any contract, or taking any other action, that would reasonably be expected to prevent or materially impede or delay the completion of the merger;

entering into or amending any material contract that would be violated by the completion of the merger or compliance with the merger agreement;

making any change in financial or tax accounting methods, except as required by a change in GAAP;

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canceling, terminating or amending any aircraft financing commitment, unless (i) replaced with another financing commitment of at least equal amount on equal or better terms or (ii) in return for such cancellation or termination, such party receives equivalent value from the applicable aircraft manufacturer;

entering into or amending any aircraft purchase agreement for the placement of an order for any aircraft, except for those agreements related to existing aircraft purchase commitments, options or purchase rights;

entering into or amending any capacity purchase or similar agreements, subject to various exceptions; and

participating in any negotiations or discussions with any other party regarding any of the foregoing actions (except for discussions or negotiations with labor unions as required under applicable law).

### **No Solicitation of Alternative Proposals**

Each of UAL and Continental has agreed that, from the time of the execution of the merger agreement until the earlier of the termination of the merger agreement or the completion of the merger, it will not and it will

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cause its subsidiaries and its and their directors and officers, and will use its reasonable best efforts to cause its controlled affiliates, employees, agents, consultants and representatives, not to directly or indirectly, (i) solicit, initiate or knowingly encourage or facilitate any inquiry or proposal regarding, or that would reasonably be expected to lead to, an acquisition proposal (as defined below), (ii) solicit, initiate, knowingly encourage or participate in any discussions or negotiations regarding, or furnish to any person any information with respect to any acquisition proposal or (iii) enter into any letter of intent, understanding or agreement regarding, or that is intended to result in, or would be reasonably expected to lead to, an acquisition proposal.

An acquisition proposal with respect to a party means any inquiry or proposal regarding, or that would reasonably be expected to lead to, any merger, share exchange, consolidation, sale of assets, sale of shares of capital stock (including by way of tender offer or exchange offer) or similar transaction involving such party that, if completed, would constitute a competing transaction. A competing transaction with respect to a party means (i) any transaction, including a tender offer, exchange offer or share exchange, pursuant to which any person or group not party to the merger agreement and its affiliates, or such person's stockholders, directly or indirectly, acquires or would acquire beneficial ownership of 10% or more of the outstanding shares of such party's common stock or outstanding voting power, (ii) a merger, share exchange, consolidation, business combination or recapitalization pursuant to which any person or group (other than the other party to the merger agreement and its affiliates) or such person's stockholders would beneficially own 10% or more of such party's outstanding common stock or outstanding voting power or (iii) any other transaction pursuant to which any person or group (other than the other party to the merger agreement and its affiliates), directly or indirectly, acquires or would acquire control of assets of such party or its subsidiaries representing 10% or more of consolidated revenues, net income, EBITDAR for the last 12 months or the fair market value of all of such party's assets and its subsidiaries, taken as a whole.

Notwithstanding the restrictions described above, prior to obtaining the relevant stockholder approval, the board of directors of each of UAL and Continental is permitted to furnish information with respect to UAL or Continental, as applicable, and enter into discussions with, and only with, a person who has made an unsolicited bona fide written acquisition proposal if the board of directors of such party (i) determines in good faith (after consultation with its outside legal counsel and financial advisors) that such acquisition proposal constitutes or is reasonably likely to lead to a superior proposal and the failure to enter into discussions regarding such proposal would be a breach of such board's fiduciary duties, (ii) provides at least five business days' notice to the other party of its intent to furnish information to, or enter into discussions with, such person, during which five business days such other party will have the right to make a presentation to UAL's or Continental's board of directors, as applicable and (iii) obtains from such person an executed confidentiality agreement. A superior proposal with respect to a party means a bona fide written proposal made by a third person for a merger, consolidation, business combination or other similar transaction involving such party pursuant to which the stockholders of either UAL or Continental, as applicable, immediately preceding the transaction would hold less than 65% of the outstanding common stock or voting power of such party or the surviving or parent entity following the consummation of such transaction that the board or directors of such party (after consultation with its outside legal counsel and financial advisors) determines in good faith to be more favorable to such party's stockholders than the merger. In making such determination, the board of directors of such party shall take into account all relevant factors, including value and other financial considerations, legal and regulatory considerations, the likelihood of completion as well as any changes to the terms of the merger proposed in response to such superior proposal.

The merger agreement requires that the parties notify each other within 24 hours of, among other things, the receipt of any acquisition proposal or request for non-public information that is reasonably likely to lead to an acquisition proposal. Any such notification shall include the material terms and conditions of any such acquisition proposal. No person is barred by any existing confidentiality or other agreement from making an acquisition proposal for Continental. In addition, the merger agreement requires the parties to continue to update each other of material changes to any acquisition proposal and provide to each other, within 24 hours of receipt, all correspondence and other written material received from any third party in connection with an acquisition proposal. The merger agreement also requires both UAL and Continental to cease, and cause to be terminated, all

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discussions or negotiations with any person conducted prior to the execution of the merger agreement with respect to any acquisition proposal and request the prompt return or destruction of all confidential information previously furnished in connection therewith.

### **Changes in Board Recommendations**

The board of directors of each of UAL and Continental has agreed that it will not (i) withdraw or modify in a manner adverse to the other party the recommendation, approval or declaration of advisability by such board with respect to the transactions contemplated by the merger agreement, as applicable, (ii) recommend, approve or declare advisable the approval or adoption of any acquisition proposal or (iii) resolve, agree or propose publicly to take any such actions or approve, adopt or recommend, or cause or permit such party to enter into, or resolve, agree or propose publicly to do so with respect to, any agreement regarding an acquisition proposal.

Notwithstanding the restrictions described above, at any time prior to obtaining the relevant stockholder approval, the board of directors of UAL or Continental, as applicable, may withdraw or modify its recommendation or recommend an acquisition proposal if such board determines in good faith (after consultation with its outside legal and financial advisors) that the failure to do so would be a breach of the board's fiduciary duties. Prior to taking any such action, such board of directors must inform the other party in writing of its decision to change its recommendation, provide the material terms and conditions of any acquisition proposal to the other party if an acquisition proposal has been made prior to such action and, in any event, allow five business days to elapse following the other party's receipt of such written notice, during which time the other party may negotiate changes to the merger agreement.

If the board of directors of UAL or Continental withdraws or modifies its recommendation, such board of directors will nonetheless continue to be obligated to hold its stockholders meeting and submit the proposals described in this joint proxy statement/prospectus to its stockholders for their vote, as applicable.

### **Efforts to Obtain Required Stockholder Votes**

UAL has agreed to hold its special stockholders meeting and to use its reasonable best efforts to obtain stockholder approval for the proposal to approve the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and for the proposal to adopt UAL's amended and restated certificate of incorporation. The merger agreement requires UAL to submit these proposals to a stockholder vote even if its board of directors no longer recommends the proposals. The UAL board of directors has approved the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger and UAL's amended and restated certificate of incorporation and has adopted resolutions directing that such proposals be submitted to UAL stockholders for their consideration.

Continental has also agreed to hold its special stockholders meeting and to use its reasonable best efforts to obtain stockholder approval for the proposal to adopt the merger agreement. The merger agreement requires Continental to submit the merger agreement to a stockholder vote even if its board of directors no longer recommends adoption of the merger agreement. The board of directors of Continental has approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, advisable and in the best interests of Continental and its stockholders and adopted resolutions directing that the merger agreement be submitted to the Continental stockholders for their consideration.

### **Efforts to Complete the Merger**

UAL and Continental have each agreed to:

take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with the other parties in doing, all things necessary to consummate and make effective, as soon as reasonably possible, the merger and the other transactions contemplated by the merger agreement;

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take all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the merger agreement or any transaction contemplated by the merger agreement and, if any takeover statute or similar statute or regulation becomes applicable to the merger agreement or any transaction contemplated by the merger agreement, take all action necessary to ensure that the merger and other transactions contemplated by the merger agreement may be consummated as promptly as practicable; and

promptly following the execution and delivery by the parties of the merger agreement, provide all necessary notices, applications and requests to, and enter into discussions with, the governmental entities from which consents or nonactions are required to be obtained to consummate the merger and the other transactions contemplated by the merger agreement in order to obtain such required consents or nonactions so as to enable the completion of the merger as soon as reasonably practicable.

Additionally, UAL and Continental have each agreed to:

obtain any consents of any governmental entity, and to make any registrations, declarations, notices or filings, if any, necessary for the merger under any antitrust law;

respond, as promptly as practicable under the circumstances, to any inquiries received from any governmental entity for additional information or documentation in connection with antitrust, competition, trade regulation or similar matters;

use reasonable best efforts to achieve substantial compliance as promptly as practicable with any Second Request;

certify substantial compliance with any Second Request as promptly as practicable after the date of such Second Request (but no later than September 30, 2010) and take all actions necessary to assert defend and support such certification; and

not extend any waiting period under any antitrust law or enter into any agreement with a governmental entity or other authority to delay, or otherwise not consummate as soon as practicable, any of the transactions contemplated by the merger agreement.

Notwithstanding the foregoing, UAL and Continental are not required under the merger agreement to agree to any sale, divestiture or disposition of any assets or operations of UAL or Continental that would reasonably be expected to result in a material adverse effect on either party.

## **Governance Matters After the Merger**

Immediately following the effective time of the merger, the board of directors of the combined company will consist of sixteen members, including: (i) six of the independent directors of UAL immediately prior to the merger, to be selected by UAL, (ii) six of the independent directors of Continental immediately prior to the merger, to be selected by Continental, (iii) Mr. Tilton (the current chairman of the board, president and chief executive officer of UAL), (iv) Mr. Smisek (the current chairman of the board, president and chief executive officer of Continental), (v) the UAL director immediately prior to the merger who was elected by the holder of the Class Pilot MEC Junior Preferred Stock and (vi) the UAL director immediately prior to the merger who was elected by the holder of the Class IAM Junior Preferred Stock. As of the date of this joint proxy statement/prospectus, neither UAL nor Continental has made a determination as to which independent directors to appoint to the board of directors of the combined company.

Upon completion of the merger, the UAL board of directors will have the following six board committees:

**Audit Committee:** This committee will consist of equal numbers of independent directors selected by UAL and by Continental and will be chaired by an independent director selected by the party that did not select the chair of the Finance Committee.





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Compensation Committee: This committee will consist of equal numbers of independent directors selected by UAL and by Continental and will be chaired by an independent director selected by Continental.

Nominating/Governance Committee: This committee will consist of equal numbers of independent directors selected by UAL and by Continental and will be chaired by an independent director selected by UAL.

Executive Committee: This committee will consist of Mr. Tilton, Mr. Smisek and the then chairs of the Nominating/Governance Committee, the Compensation Committee, the Finance Committee and the Audit Committee. The Executive Committee will be chaired by Mr. Tilton.

Finance Committee: This committee will consist of Mr. Tilton, Mr. Smisek and equal numbers of independent directors selected by UAL and by Continental and will be chaired by an independent director selected by UAL or Continental.

Public Responsibility Committee: This committee will consist of two independent directors selected by UAL, two independent directors selected by Continental, the UAL director who was elected by the holder of the Class Pilot MEC Junior Preferred Stock and the UAL director who was elected by the holder of the Class IAM Junior Preferred Stock. The Public Responsibility Committee will be co-chaired by one independent director selected by UAL and one independent director selected by Continental.

Upon completion of the merger, Mr. Tilton will serve as non-executive chairman of the board of the combined company and Mr. Smisek will serve as the chief executive officer of the combined company. On the later of December 31, 2012 and two years after the effective time of the merger, Mr. Tilton will cease to serve as the non-executive chairman, and Mr. Smisek will become the chairman of the UAL board of directors.

Upon completion of the merger, UAL's corporate headquarters and related corporate functions (which will be located in the UAL Building) and airline operations (which will be located in the Willis Tower), will be in Chicago, Illinois. In addition, UAL will maintain a significant presence in Houston, Texas.

## **Employee Benefits Matters**

UAL and Continental have agreed that, from the date of completion of the merger until the six-month anniversary of such date, UAL will provide UAL and Continental employees (other than employees covered by collective bargaining agreements) who remain employed by the combined company with compensation and benefits that are not materially less favorable than the compensation and benefits provided to those employees immediately prior to the completion of the merger.

UAL and Continental have also agreed that, with respect to such UAL and Continental employees who continue to be employed by the combined company following completion of the merger:

for purposes of UAL benefit plans in which the employees participate (including eligibility, vesting and benefit levels and accruals other than defined benefit pension plan accruals), service with UAL or Continental prior to the effective time of the merger shall be treated as service with UAL;

for purposes of each UAL benefit plan in which any such UAL or Continental employee or his or her eligible dependents is eligible to participate after the completion of the merger, UAL will (i) waive any pre-existing condition, exclusion, actively-at-work requirement or waiting period to the extent such condition, requirement or waiting period was satisfied or waived under the comparable Continental benefit plan as of the completion of the merger and (ii) provide credit for any co-payments, deductibles or similar payments made prior to the effective time of the merger for the plan year in which the merger is consummated;

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UAL will honor, in accordance with its terms, each Continental benefit plan and all obligations thereunder, and UAL acknowledges that the completion of the merger will constitute a change of control or change in control, as the case may be, for all purposes under such Continental benefit plans; and

nothing in the merger agreement will require UAL to continue any specific plans or to continue the employment of any specific person following the completion of the merger.

### **Treatment of Continental Stock Options and Other Stock Based Awards and Programs**

*Stock Options.* Upon completion of the merger, each outstanding option to purchase Continental common stock granted pursuant to the Continental Incentive Plan 2010, the Continental Incentive Plan 2000, the Continental 1998 Stock Incentive Plan, the Continental 1997 Stock Incentive Plan, the Continental 2005 Pilot Supplemental Option Plan or the Continental 2005 Broad Based Employee Stock Option Plan will be converted pursuant to the merger agreement into a stock option to acquire shares of UAL common stock on the same terms and conditions as were in effect immediately prior to the completion of the merger. All outstanding stock options granted under the Continental 2005 Pilot Supplemental Option Plan and the Continental 2005 Broad Based Employee Stock Option Plan are already fully vested. Outstanding stock options granted under the Continental Incentive Plan 2000, the Continental 1998 Stock Incentive Plan, and the Continental 1997 Stock Incentive Plan will vest in full upon completion of the merger. The number of shares of UAL common stock underlying each converted Continental stock option will be determined by multiplying the number of shares of Continental common stock subject to such stock option immediately prior to the completion of the merger by the exchange ratio, and rounding down to the nearest whole share. The exercise price per share of each converted Continental stock option will be determined by dividing the per share exercise price of such stock option by the exchange ratio, and rounding up to the nearest whole cent.

*Stock Based Awards.* Restricted stock granted to non-employee directors under Continental's Incentive Plan 2010 will also be converted, pursuant to the merger agreement, into restricted shares of UAL common stock, and all of the terms and restrictions applicable to the Continental restricted shares will apply to the restricted shares of UAL common stock. Currently, there are no other stock based awards outstanding (other than Continental stock options and cash-settled Profit Based RSU awards granted under Continental's Long Term Incentive and RSU Programs). If additional stock based awards are granted prior to the completion of the merger, then such Continental stock based awards would be converted into shares of UAL common stock or other compensatory awards denominated in shares of UAL common stock subject to risk of forfeiture to, or right of repurchase by, UAL with the same terms and conditions as applicable under such Continental stock based awards, except to the extent otherwise required by the terms of such Continental stock based awards or pursuant to any Continental benefit plan or employment agreement. Each Continental stock based award would be converted into a number of shares of UAL common stock at the exchange ratio.

*2004 Employee Stock Purchase Plan.* No less than five days prior to the effective time of the merger, Continental will cause the then-current purchase period under the Continental 2004 Employee Stock Purchase Plan to end and use the accumulated funds to acquire shares of Continental common stock. At the effective time of the merger, the purchased shares of Continental common stock under the stock purchase plan will be converted into shares of UAL common stock at the exchange ratio. At the effective time of the merger, the Continental 2004 Employee Stock Purchase Plan will terminate.

### **Other Covenants and Agreements**

The merger agreement contains certain other covenants and agreements, including covenants relating to:

cooperation between UAL and Continental in the preparation of this joint proxy statement/prospectus;

confidentiality and access by each party to certain information about the other party during the period prior to the effective time of the merger;

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the use of each party's reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of the Code;

cooperation between UAL and Continental in the defense or settlement of any shareholder litigation relating to the merger;

causing any dispositions of Continental common stock resulting from the merger and any acquisitions of UAL common stock resulting from the merger by each individual who may become subject to reporting requirements under the securities laws to be exempt from Section 16(b) of the Exchange Act;

cooperation between UAL and Continental to enter into supplemental indentures with respect to Continental's convertible securities such that the securities will be convertible into UAL common stock, accounting for the exchange ratio;

agreement between UAL and Continental to abide by the terms of Continental's collective bargaining agreements and Continental's non-union employee letters relating to business combination consequences;

cooperation between UAL and Continental in connection with public announcements; and

cooperation between UAL and Continental in selecting managers to hold key management positions and to facilitate, through the Integration Steering Committee, the integration of the business and operations of UAL and Continental.

UAL has also agreed to assume all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the effective time of the merger existing in favor of the current or former directors and officers of Continental. UAL has also agreed to purchase a tail directors' and officers' liability insurance policy for Continental and its current and former directors and officers and employees who are currently covered by the liability insurance coverage currently maintained by Continental.

**Conditions to Completion of the Merger**

The obligations of UAL and Continental to complete the merger are subject to the satisfaction of the following conditions:

adoption of the merger agreement by holders of a majority of the outstanding shares of Continental common stock entitled to vote thereon;

approval of the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger by holders of a majority of the outstanding shares of UAL capital stock present in person or represented by proxy and entitled to vote thereon;

adoption of UAL's amended and restated certificate of incorporation by holders of a majority of the outstanding shares of UAL capital stock entitled to vote thereon;

authorization for the listing on the NASDAQ or the NYSE, as reasonably agreed upon by UAL and Continental, of the shares of UAL common stock to be issued to Continental stockholders pursuant to the merger, subject to official notice of issuance;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose;

absence of any order, injunction, decree, statute, rule or regulation by a court or other governmental entity that makes illegal or prohibits the consummation of the merger or the other transactions contemplated by the merger agreement;

the waiting period (and any extension thereof) applicable to the merger under the antitrust laws of the United States having expired or been earlier terminated; and

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any approvals required to be obtained under any foreign antitrust laws having been obtained and all approvals and authorizations required to be obtained from U.S. regulatory authorities, including the FAA and DOT, having been obtained (except for any approvals the failure of which to obtain would not reasonably be expected to have a material adverse effect on UAL or Continental).

In addition, each of UAL's and Continental's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of the other party, other than the representations related to the shares of capital stock issued and outstanding or reserved for issuance, the absence of any outstanding voting debt and the non-occurrence of any event or development having a material adverse effect on the other party since March 31, 2010, will be true and correct (without giving effect to any materiality qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the effective time of the merger (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such specified date), provided that such representations will be deemed to be true unless the individual or aggregate impact of the failure of such representations to be true would have had, would have or would reasonably be expected to have a material adverse effect on the other party;

the representations and warranties of the other party relating to the shares of capital stock issued and outstanding or reserved for issuance and the absence of any outstanding voting debt will be true and correct in all material respects when made and as of the effective time of the merger (except to the extent such representations or warranties were made as of an earlier date, in which case, as of such earlier date);

the representation and warranty of the other party relating to the non-occurrence of any event or development having a material adverse effect on the other party since March 31, 2010, will be true and correct when made and as of the effective time of the merger;

the other party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the consummation of the merger;

receipt of a certificate executed by the other party's chief executive officer and chief financial officer as to the satisfaction of the conditions described in the preceding four bullets; and

receipt of a tax opinion from each party's tax counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code.

### **Termination of the Merger Agreement**

The merger agreement may be terminated at any time prior to the effective time of the merger, even after the receipt of the required stockholder approvals, under the following circumstances:

by mutual written consent of UAL and Continental;

by either UAL or Continental:

if any governmental entity issues a final and nonappealable order permanently enjoining or otherwise prohibiting the consummation of the merger, except that no party may terminate the merger agreement if such party's breach of its obligations

proximately contributed to the issuance of such order;

if the UAL stockholders fail to approve either the issuance of shares of UAL common stock to Continental stockholders pursuant to the merger or the adoption of UAL's amended and restated certificate of incorporation at the UAL stockholder meeting;

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if the Continental stockholders fail to approve the adoption of the merger agreement at the Continental stockholder meeting;  
or

if the merger is not consummated by December 31, 2010, subject to extension by mutual agreement of the parties or in the event that certain regulatory clearances have not yet been obtained, provided that in no event shall any such extension be to a date that is later than September 30, 2011 (the merger end date), provided, further, that no party may terminate the merger agreement if such party's breach of its obligations proximately contributed to the failure to close by the merger end date;

by UAL upon a breach of any covenant or agreement on the part of Continental, or if any representation or warranty of Continental fails to be true, in either case such that the conditions to UAL's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or Continental is not using its reasonable best efforts to cure such failure;

by Continental upon a breach of any covenant or agreement on the part of UAL, or if any representation or warranty of UAL fails to be true, in either case such that the conditions to Continental's obligations to complete the merger would not then be satisfied and such failure is not reasonably capable of being cured or UAL is not using its reasonable best efforts to cure such failure;

by UAL if, prior to obtaining the approval of the Continental stockholders, the board of directors of Continental withdraws or modifies in any adverse manner, or proposes publicly to withdraw or modify in any adverse manner, its approval or declaration of advisability with respect to the merger agreement, or approves, recommends or declares advisable or proposes publicly to approve, recommend or declare advisable, any acquisition proposal with a third party; or

by Continental if, prior to obtaining the approvals of the UAL stockholders, the board of directors of UAL withdraws or modifies in any adverse manner, or proposes publicly to withdraw or modify in any adverse manner, its approval or declaration of advisability with respect to the proposal to issue UAL common stock pursuant to the merger or the proposal to adopt UAL's amended and restated certificate of incorporation, or approves, recommends or declares advisable or proposes publicly to approve, recommend or declare advisable, any acquisition proposal with a third party.

**Expenses and Termination Fees; Liability for Breach**

Each party shall pay all fees and expenses incurred by it in connection with the merger and the other transactions contemplated by the merger agreement, provided, however that the parties will share equally all fees and expenses in relation to the printing, filing and distribution of this joint proxy statement/prospectus and any filing fees in connection with the merger pursuant to any antitrust or competition law except, in each case for attorneys' and accountants' fees and expenses.

If the merger agreement is validly terminated, the merger agreement will become void and have no effect, without any liability or obligation on the part of any party, except as expressly set forth therein, and unless a party is in knowing material breach of any representation and warranty or deliberate material breach of any covenant in the merger agreement. For purposes of the merger agreement, a knowing breach will be deemed to have occurred only if an executive officer of a party had actual knowledge of such breach (without an independent duty to investigate or verify other than an actual reading of the representations and warranties by certain of such party's executive officers) and a deliberate breach will have occurred only if a party took or failed to take action with actual knowledge that the action so taken or omitted constituted a breach.

UAL will be obligated to pay a termination fee of \$175 million to Continental if:

- (1) Continental terminates the merger agreement because, prior to obtaining the approval of the UAL stockholders, the board of directors of UAL withdraws or modifies in an adverse manner, or proposes publicly to withdraw or modify in an adverse manner, its approval or declaration of advisability with respect to the issuance of shares of UAL common stock pursuant to the merger





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or the adoption of UAL's amended and restated certificate of incorporation, or approves, recommends or declares advisable, or proposes publicly to approve, recommend or declare advisable, any acquisition proposal with a third party;

- (2) (a) prior to the UAL stockholders meeting, a third party makes a proposal to UAL or publicly announces its intent to make a proposal to UAL for a competing transaction (as defined above), (b) the merger agreement is terminated following the failure of UAL stockholders to approve the issuance of shares of UAL common stock or the adoption of UAL's amended and restated certificate of incorporation and (c) either (i) within 12 months after such termination UAL enters into an agreement providing for a competing transaction for UAL or (ii) within 12 months after such termination a third party commences a tender offer or exchange offer with respect to UAL and within 24 months after such termination a competing transaction for UAL is consummated, provided, however, unless a competing transaction proposed or announced prior to the UAL stockholders meeting is made and consummated by the same third party, any reference to 10% in the definition of competing transaction shall be deemed to be a reference to 35%; or
  
- (3) (a) prior to the UAL stockholders meeting, a third party makes a proposal to UAL or publicly announces its intent to make a proposal to UAL for a competing transaction, (b) the merger agreement is terminated following the failure to consummate the merger on or before the merger end date, (c) the UAL stockholders meeting does not occur at least five business days prior to the merger end date and (d) either (i) within 12 months after such termination UAL enters into an agreement providing for a competing transaction for UAL or (ii) within 12 months of such termination a third party commences a tender offer or exchange offer with respect to UAL and within 24 months after such termination a competing transaction for UAL is consummated, provided, however, unless a competing transaction proposed or announced prior to the UAL stockholders meeting is made and consummated by the same third party, any reference to 10% in the definition of competing transaction shall be deemed to be a reference to 35%.

Continental will be obligated to pay a termination fee of \$175 million to UAL if:

- (1) UAL terminates the merger agreement because, prior to obtaining the approval of the Continental stockholders, the board of directors of Continental withdraws or modifies in an adverse manner, or proposes publicly to withdraw or modify in an adverse manner, its approval or declaration of advisability with respect to the adoption of the merger agreement, or approves, recommends or declares advisable, or proposes publicly to approve, recommend or declare advisable, any acquisition proposal with a third party;
  
- (2) (a) prior to the Continental stockholders meeting, a third party makes a proposal to Continental or publicly announces its intent to make a proposal to Continental for a competing transaction, (b) the merger agreement is terminated following the failure of Continental stockholders to approve the adoption of the merger agreement and (c) either (i) within 12 months after such termination Continental enters into an agreement providing for a competing transaction for Continental or (ii) within 12 months after such termination a third party commences a tender offer or exchange offer with respect to Continental and within 24 months after such termination a competing transaction for Continental is consummated, provided, however, unless a competing transaction proposed or announced prior to the Continental stockholders meeting is made and consummated by the same third party, any reference to 10% in the definition of competing transaction shall be deemed to be a reference to 35%; or
  
- (3) (a) prior to the Continental stockholders meeting, a third party makes a proposal to Continental or publicly announces its intent to make a proposal to Continental for a competing transaction, (b) the merger agreement is terminated following the failure to consummate the merger on or before the merger end date, (c) the Continental stockholders meeting does not occur at least five business days prior to the merger end date and (d) either (i) within 12 months after such termination Continental enters into an agreement providing for a competing transaction for

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Continental or (ii) within 12 months after such termination a third party commences a tender offer or exchange offer with respect to Continental and within 24 months after such termination a competing transaction for Continental is consummated, provided, however, unless a competing transaction proposed or announced prior to the Continental stockholders meeting is made and consummated by the same third party, any reference to 10% in the definition of competing transaction shall be deemed to be a reference to 35%.

### **Amendments, Extensions and Waivers**

The merger agreement may be amended by the parties at any time before or after the receipt of the approvals of the UAL or Continental stockholders required to consummate the merger. However, after any such stockholder approval, there may not be, without further approval of UAL stockholders and Continental stockholders, any amendment of the merger agreement that changes the amount or form of the consideration to be delivered or for which applicable law requires further stockholder approval.

At any time prior to the effective time of the merger, any party may (i) extend the time for performance of any obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement and (iii) waive compliance by the other party with any of the agreements or conditions contained in the merger agreement.

### **No Third Party Beneficiaries**

While the merger agreement is not intended to confer upon you or any person other than UAL, Continental and Merger Sub any rights or remedies, it provides limited exceptions. Continental's directors and officers will continue to have indemnification and liability insurance coverage after the completion of the merger. Furthermore, each party will have the right, on behalf of its stockholders, to pursue damages and other relief, including equitable relief, for the other party's knowing material breach of any of its representations and warranties in the merger agreement or deliberate material breach of any covenant in the merger agreement. However, this right is enforceable on behalf of Continental stockholders only by Continental in its sole and absolute discretion or on behalf of UAL stockholders only by UAL in its sole and absolute discretion and any and all interests in such claims shall attach to shares of Continental common stock or UAL common stock, as applicable, and subsequently trade and transfer with those shares. As a result, any damages, settlements or other amounts recovered by a party with respect to such claims may, in such party's sole and absolute discretion, be (x) distributed, in whole or in part, by such party to its stockholders as of any date determined by such party or (y) retained by such party for the use and benefit of such party on behalf of its stockholders as such party deems fit.

### **Specific Performance**

UAL and Continental acknowledged and agreed in the merger agreement that irreparable damage would occur in the event that any of the provisions of the merger agreement were not performed in accordance with their specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy. Therefore, the parties fully intend for specific performance to be the principal remedy for breaches of the merger agreement. In addition, the parties agreed that they shall be entitled to seek an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically the performance of terms and provisions of the merger agreement without proof of actual damages. The parties further agreed not to assert that a remedy of specific performance is unenforceable, invalid, contrary to law or inequitable for any reason, nor to object to a remedy of specific performance on the basis that a remedy of monetary damages would provide an adequate remedy for any such breach. Each party further acknowledged and agreed that the agreements relating to specific performance are an integral part of the transactions contemplated by the merger agreement and that, without these agreements, the other party would not have entered into the merger agreement. Each party further agreed that no other party shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy relating to specific performance, and each party irrevocably waived any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

**Consequences to Holders of Continental Common Stock**

The following discussion addresses the material U.S. federal income tax consequences of the exchange of shares of Continental common stock for shares of UAL common stock in the merger.

This discussion addresses only holders of Continental common stock who hold that stock as a capital asset and are U.S. persons, as defined for U.S. federal income tax purposes. For these purposes a U.S. person is:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust that (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This discussion does not address any non-income taxes or any foreign, state or local tax consequences of the merger. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a holder of common stock in light of that holder's particular circumstances or to a holder subject to special rules (such as a controlled foreign corporation, passive foreign investment company, company that accumulates earnings to avoid U.S. federal income tax, foreign tax-exempt organization, financial institution, broker or dealer in securities, insurance company, regulated investment company, real estate investment trust, person who holds Continental common stock as part of a hedging or conversion transaction or as part of a short-sale or straddle, partnership or other pass-through entity for U.S. federal income tax purposes or a person who acquired Continental common stock pursuant to the exercise of options or otherwise as compensation). This discussion is based on the Code, applicable Treasury regulations, administrative interpretations and court decisions, each as in effect as of the date of this joint proxy statement/prospectus and all of which are subject to change, possibly with retroactive effect.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Continental common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners of partnerships holding Continental common stock should consult their own tax advisors.

**WE URGE YOU TO CONSULT YOUR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES.**

***General***

As a condition to the completion of the merger, each of Cravath, Swaine & Moore LLP, tax counsel to UAL, and Jones Day, tax counsel to Continental, will have delivered an opinion, dated as of the date this joint proxy statement/prospectus is first filed with the SEC and as of the closing date of the merger, that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. Neither UAL nor Continental intends to waive this condition.

The opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. The opinions will be based on certain assumptions and representations as to factual matters from UAL



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and Continental, as well as certain covenants and undertakings by UAL and Continental. If any of the assumptions, representations, covenants or undertakings is incorrect, incomplete, inaccurate or is violated in any material respect, the validity of the conclusions reached by counsel in their opinions would be jeopardized and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus. Neither UAL nor Continental is currently aware of any facts or circumstances that would cause the assumptions, representations covenants and undertakings to be incorrect, incomplete, inaccurate or violated in any material respect.

An opinion of counsel represents counsel's best legal judgment but is not binding on the IRS or any court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinion or that a court would not sustain such a challenge. Neither UAL nor Continental intends to obtain a ruling from the IRS on the tax consequences of the merger. If the IRS were to successfully challenge the reorganization status of the merger, the tax consequences would be very different from those set forth in this joint proxy statement/prospectus. Except as otherwise noted, it is assumed for purposes of the following discussion that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code.

Cravath, Swaine & Moore LLP, tax counsel to UAL, and Jones Day, tax counsel to Continental, are of the opinion that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of UAL, Continental and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. Based on those opinions and subject to the discussion below relating to the receipt of cash in lieu of fractional shares, the U.S. federal income tax consequences of the merger are as follows:

a holder of Continental common stock will not recognize any gain or loss upon the exchange of the holder's shares of Continental common stock for shares of UAL common stock in the merger;

a holder of Continental common stock will have a tax basis in the UAL common stock received in the merger equal to the tax basis of the Continental common stock surrendered by the holder in exchange for that UAL common stock in the merger; and

a holder of Continental common stock will have a holding period for shares of UAL common stock received in the merger that includes its holding period for its shares of Continental common stock surrendered by the holder in exchange for that UAL common stock in the merger.

***Cash in Lieu of Fractional Shares***

No fractional shares of UAL common stock will be distributed to holders of Continental common stock in connection with the merger. A holder that receives cash in lieu of a fractional share of UAL common stock as a part of the merger will generally recognize capital gain or loss measured by the difference between the cash received for such fractional share and the holder's tax basis in the fractional share above. An individual U.S. holder will generally be subject to U.S. federal income tax at a reduced rate with respect to such capital gain, assuming that the U.S. holder has held all of its Continental common stock for more than one year.

***Backup Withholding***

Backup withholding, currently at 28%, may apply with respect to certain payments, such as cash received for fractional shares, unless the holder of the Continental common stock receiving such payments (i) is an exempt holder (generally, corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, individual retirement accounts, or nonresident aliens who, when required, provide certification as to their status) or (ii) provides a certificate containing the holder's name, address, correct federal taxpayer identification number and a statement that the holder is exempt from backup withholding. Backup withholding does not constitute an additional tax, but is merely an advance payment that may be credited against a holder's U.S. federal income tax liability if the required information is supplied to the IRS.

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***Reporting Requirements***

Each holder of Continental common stock who receives shares of UAL common stock in the merger is required to retain records pertaining to the merger pursuant to Treasury Regulation Section 1.368-3(d). Each holder of Continental common stock who receives shares of UAL common stock in the merger and who owns immediately before the merger 5% or more, by vote or value, of Continental stock will be required to file a statement with his or her federal income tax return for the year of the merger. As provided in Treasury Regulations Section 1.368-3(b), the statement must set forth the holder's basis in, and the fair market value of, the shares of Continental common stock surrendered in the merger, the date of the merger and the name and employer identification number of UAL, Continental and Merger Sub.

**Consequences to UAL, Continental and Merger Sub**

None of UAL, Continental or Merger Sub will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger.

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**ACCOUNTING TREATMENT**

UAL prepares its financial statements in accordance with GAAP. The merger will be accounted for using the acquisition method of accounting with UAL being considered the acquirer of Continental for accounting purposes. This means that UAL will allocate the purchase price to the fair value of Continental's tangible and intangible assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the acquisition method of accounting, goodwill is not amortized but is tested for impairment at least annually.

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**SHAREGIFT USA'S CHARITABLE DONATION PROGRAM**

Should a Continental stockholder desire, Continental has made arrangements to enable its stockholders to donate some or all of the merger consideration to be received upon consummation of the merger to ShareGift USA.

ShareGift USA is a nonprofit charity recognized as exempt from tax by the IRS under Section 501(c)(3) of the Code that will distribute a Continental stockholder's donated merger consideration (or the proceeds from the sale of donated merger consideration) to a variety of recognized U.S. charities. ShareGift USA donates the proceeds to charities focusing on education, health, human services, public society, the environment and international causes. All merger consideration received by ShareGift USA will be used to make donations to the following charities: Teach for America, Alzheimer's Association, Juvenile Diabetes Research Foundation, Feeding America, Trust for Public Land and Room to Read.

After the merger is completed, the exchange agent will send a letter of transmittal to each stockholder of Continental. The letter of transmittal will include instructions for exchanging shares of Continental common stock for the merger consideration and will also include an option to donate all or a portion of the merger consideration to be received for shares of Continental common stock to ShareGift USA. ShareGift USA will aggregate all donations from Continental stockholders and distribute them to charitable institutions.

If you would like to donate some or all of your merger consideration under this program, simply follow the instructions on the letter of transmittal and return your properly completed letter of transmittal. Please do not send your Continental stock certificates until you receive your letter of transmittal.

Once your donation is received and processed, you will receive from ShareGift USA written confirmation of your donation. If you are a U.S. taxable investor, you may be eligible for a tax deduction should you choose to participate in ShareGift USA's program. Please consult your tax advisor accordingly.

You can find more information about ShareGift USA on its website at <http://sharegiftusa.org/>.



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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The Unaudited Pro Forma Condensed Combined Balance Sheet combines the historical consolidated balance sheets of UAL and Continental, giving effect to the merger as if it had been consummated on June 30, 2010. The Unaudited Pro Forma Condensed Combined Statements of Operations for the six months ended June 30, 2010 and for the year ended December 31, 2009 combine the historical consolidated statements of operations of UAL and Continental, giving effect to the merger as if it had been consummated on January 1, 2009, the beginning of the earliest period presented. The historical consolidated financial statements of Continental have been adjusted to reflect certain reclassifications in order to conform with UAL's financial statement presentation.

The Unaudited Pro Forma Condensed Combined Financial Statements were prepared using the acquisition method of accounting with UAL considered the acquirer of Continental. Accordingly, consideration given by UAL to complete the merger with Continental will be allocated to assets and liabilities of Continental based upon their estimated fair values as of the date of completion of the merger. As of the date of this joint proxy statement/prospectus, UAL has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair value of the Continental assets to be acquired and the liabilities to be assumed and the related allocations of purchase price, nor has it identified all adjustments necessary to conform Continental's accounting policies to UAL's accounting policies. A final determination of the fair value of Continental's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Continental that exist as of the date of completion of the merger and, therefore, cannot be made prior to the completion of the transaction. Additionally, the value of the consideration to be given by UAL to complete the merger will be determined based on the trading price of UAL's common stock at the time of the completion of the merger. Accordingly, the pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary pro forma purchase price adjustments have been made solely for the purpose of providing the Unaudited Pro Forma Condensed Combined Financial Statements presented below. UAL estimated the fair value of Continental's assets and liabilities based on discussions with Continental's management, preliminary valuation studies, due diligence and information presented in public filings. Until the merger is completed, both companies are limited in their ability to share information. Upon completion of the merger, final valuations will be performed. Increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of operations. There can be no assurance that such finalization will not result in material changes.

These Unaudited Pro Forma Condensed Combined Financial Statements have been developed from and should be read in conjunction with (1) the unaudited interim consolidated financial statements of UAL and Continental contained in their respective Quarterly Reports on Form 10-Q for the quarterly period ended June 30, 2010 and (2) the audited consolidated financial statements of UAL and Continental contained in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2009, all of which are incorporated by reference into this joint proxy statement/prospectus. The Unaudited Pro Forma Condensed Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of UAL would have been had the merger occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

UAL expects to incur significant costs associated with integrating the operations of UAL and Continental. The Unaudited Pro Forma Condensed Combined Financial Statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the merger. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not include one-time costs directly attributable to the transaction, employee retention costs or professional fees incurred by Continental or UAL pursuant to provisions contained in the merger agreement, as those costs are not considered part of the purchase price.

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

June 30, 2010

(in millions)	Historical		Pro Forma		Condensed Combined Pro Forma
	UAL	Continental	Adjustments		
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 4,906	\$ 3,047	\$ 13	(a)	\$ 7,966
Short-term investments		457			457
Restricted cash	53	167			220
Receivables, net	971	610	(40)	(b)	1,541
Aircraft fuel, spare parts and supplies, net	280	275	(27)	(c)	528
Prepaid expenses and other	773	658	(275)	(d)	1,001
			(155)	(e)	
Total current assets	6,983	5,214	(484)		11,713
<b>OPERATING PROPERTY AND EQUIPMENT, NET</b>	9,603	7,377	(130)	(f)	16,881
			31	(g)	
<b>OTHER ASSETS:</b>					
Goodwill			2,596	(h)	2,596
Intangibles, net	2,416	780	2,576	(i)	5,772
Other, net	1,132	228	(13)	(a)	1,169
			(178)	(j)	
Total other assets	3,548	1,008	4,981		9,537
Total assets	\$ 20,134	\$ 13,599	\$ 4,398		\$ 38,131
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Current maturities of long-term debt and capital leases	\$ 1,879	\$ 1,142	\$		\$ 3,021
Advance ticket sales	2,300	2,607	(190)	(k)	4,271
			(446)	(l)	
Frequent flyer deferred revenue	1,745		602	(l)	2,347
Accounts payable	926	988	(28)	(b)	1,729
			(168)	(d)	
			11	(m)	
Other accrued liabilities	1,723	695	(12)	(b)	2,510
			120	(d)	
			11	(n)	
			(27)	(q)	
Total current liabilities	8,573	5,432	(127)		13,878
<b>NONCURRENT LIABILITIES:</b>					
Long-term debt and capital leases	7,295	4,912	(17)	(g)	12,102
			(88)	(j)	
Pension and related benefits		1,232	458	(o)	1,779
			89	(p)	
Frequent flyer deferred revenue	2,356		844	(l)	3,200
Postretirement benefit liability	1,940	223	16	(o)	2,179
Advanced purchase of miles	1,115				1,115
Deferred income taxes	537	221	760	(e)	1,518
Other noncurrent liabilities	1,074	855	535	(d)	1,910

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			94	(m)	
			(294)	(n)	
			(89)	(p)	
			(265)	(q)	
Total noncurrent liabilities	14,317	7,443	2,043		23,803
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>					
Common stock	2	1	(1)	(r)	3
			1	(s)	
Additional paid-in capital	3,146	2,240	(2,240)	(r)	6,351
			3,205	(s)	
Accumulated deficit	(5,765)	(355)	355	(r)	(5,765)
Accumulated other comprehensive income (loss)	(109)	(1,162)	1,218	(o)	(109)
			(56)	(r)	
Stock held in treasury, at cost	(30)				(30)
Total stockholders' equity (deficit)	(2,756)	724	2,482		450
Total liabilities and stockholders' equity (deficit)	\$ 20,134	\$ 13,599	\$ 4,398		\$ 38,131

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Statements.

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

For the Six Months Ended June 30, 2010

(in millions, except per share data)	Historical		Pro		Condensed Combined Pro Forma
	UAL	Continental	Forma Adjustments		
<b>OPERATING REVENUE:</b>					
Passenger	\$ 8,599	\$ 6,114	\$ 42	(k)	\$ 15,091
			15	(l)	
			321	(p)	
Cargo	347	213			560
Other operating revenue	456	550	(321)	(p)	665
			(20)	(q)	
Total operating revenue	9,402	6,877	37		16,316
<b>OPERATING EXPENSES:</b>					
Aircraft fuel	2,156	1,822	(315)	(p)	3,663
Salaries and related costs	1,968	1,618	(57)	(o)	3,475
			(82)	(p)	
			28	(u)	
Regional Affiliates	1,726	413	711	(p)	2,850
Depreciation and amortization	428	256	(1)	(c)	702
			(8)	(f)	
			1	(g)	
			37	(i)	
			(11)	(p)	
Aircraft maintenance materials and outside repairs	467	283	(9)	(m)	741
Landing fees and other rent	469	428	7	(n)	850
			(54)	(p)	
Aircraft rent	162	459	(67)	(d)	433
			(125)	(p)	
			4	(q)	
Distribution expenses	291	361	(51)	(p)	601
Other impairments and special items	124	34	(46)	(t)	112
Other operating expenses	1,108	925	(64)	(l)	1,896
			(73)	(p)	
Total operating expenses	8,899	6,599	(175)		15,323
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	503	278	212		993
<b>OTHER INCOME (EXPENSE):</b>					
Interest expense, net	(341)	(170)	11	(j)	(500)
Miscellaneous, net	27	(20)			7
Total other income (expense), net	(314)	(190)	11		(493)
<b>INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES</b>					
	189	88	223		500
<b>INCOME TAX BENEFIT (EXPENSE)</b>	1	(1)		(e)	
<b>INCOME BEFORE EQUITY IN EARNINGS OF AFFILIATES</b>	190	87	223		500
<b>EQUITY IN EARNINGS OF AFFILIATES, NET OF TAX</b>	1				1
<b>NET INCOME (LOSS)</b>	\$ 191	\$ 87	\$ 223		\$ 501
<b>EARNINGS PER SHARE:</b>					

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<b>BASIC</b>	\$ 1.14	\$ 0.62	(v)	\$ 1.59
<b>DILUTED</b>	\$ 0.96	\$ 0.60	(v)	\$ 1.38
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
<b>BASIC</b>	168	139	(v)	314
<b>DILUTED</b>	209	153	(v)	379

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Statements.

**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Year Ended December 31, 2009**

(in millions, except per share data)	Historical		Pro Forma		Condensed Combined Pro Forma
	UAL	Continental	Adjustments		
<b>OPERATING REVENUE:</b>					
Passenger	\$ 14,974	\$ 11,138	\$ (100)	(k)	\$ 26,560
			(21)	(l)	
			569	(p)	
Cargo	536	366			902
Other operating revenue	825	1,082	(133)	(l)	1,167
			(569)	(p)	
			(38)	(q)	
<b>Total operating revenue</b>	<b>16,335</b>	<b>12,586</b>	<b>(292)</b>		<b>28,629</b>
<b>OPERATING EXPENSES:</b>					
Aircraft fuel	3,405	3,317	(498)	(p)	5,820
			(404)	(r)	
Salaries and related costs	3,773	3,137	(140)	(o)	6,608
			(162)	(p)	
Regional Affiliates	2,939	848	1,278	(p)	5,065
Depreciation and amortization	902	494	(1)	(c)	1,451
			(16)	(f)	
			2	(g)	
			97	(i)	
			(27)	(p)	
Aircraft maintenance materials and outside repairs	965	617	(17)	(m)	1,565
Landing fees and other rent	905				