

GENOCEA BIOSCIENCES, INC.
 Form 4
 September 04, 2014

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Giannasca Paul

2. Issuer Name and Ticker or Trading Symbol
 GENOCEA BIOSCIENCES, INC.
 [GNCA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 09/02/2014

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 VP of Development

C/O GENOCEA BIOSCIENCES, INC., 100 ACORN PARK DRIVE, 5TH FLOOR

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

CAMBRIDGE, MA 02140

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	09/02/2014		M	5,398	A \$ 2.86	5,398	D
Common Stock	09/02/2014		S	5,398	D \$ 12.51	0	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Stock Option (Right to Buy)	\$ 2.86	09/02/2014		M	5,398	(1) 02/17/2020	Common Stock	5,398

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Giannasca Paul C/O GENOCEA BIOSCIENCES, INC. 100 ACORN PARK DRIVE, 5TH FLOOR CAMBRIDGE, MA 02140			VP of Development	

Signatures

/s/Robert E. Farrell, Jr.,
Attorney-in-fact

09/04/2014

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The option vested 25% on January 25, 2011 and the remainder vested in equal monthly installments for the next three years thereafter.
- The price reported in Column 4 is a weighted average price. These shares were sold in multiple transactions at prices ranging from \$12.13 to \$12.80. The Reporting Person undertakes to provide to the Issuer, any security holder of the Issuer or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within the ranges set forth in this footnote.

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New Accounting Pronouncements. For detailed information, see Note 1(p), Summary of Significant Accounting

Policies New Accounting Pronouncements, in *Combined Notes to Consolidated Financial Statements*.

Forward-Looking Information

Certain statements throughout Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report are forward-looking and thus reflect the Company's current expectations and beliefs with respect to certain current and future events and financial performance. Such forward-looking statements are and will be subject to many risks and uncertainties relating to United's operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward-looking statements. Words such as expects, will, plans, anticipates, indicates, believes, forecast, guidance, out expressions are intended to identify forward-looking statements.

Additionally, forward-looking statements include statements which do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

The Company's actual results could differ materially from these forward-looking statements due to numerous factors including, without limitation, the following: its ability to comply with the terms of financing arrangements; the costs and availability of financing; its ability to execute its business plan; its ability to realize benefits from its resource optimization efforts and cost reduction initiatives; its ability to utilize its net operating losses; its ability to attract, motivate and/or retain key employees; its ability to attract and retain customers; demand for transportation in the markets in which it operates; general economic conditions (including interest rates, foreign currency exchange rates, crude oil prices, costs of

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aviation fuel and energy refining capacity in relevant markets); its ability to cost-effectively hedge against increases in the price of aviation fuel, including its ability to meet the liquidity requirements of cash deposits which may be required from time to time under hedge agreements; the effects of any hostilities, act of war or terrorist attack; the ability of other air carriers with whom the Company has alliances or partnerships to provide the services contemplated by the respective arrangements with such carriers; the costs and availability of aircraft insurance; the costs associated with security measures and practices; labor costs; industry consolidation; competitive pressures on pricing and on demand; capacity decisions of United and/or its competitors; U.S. or foreign governmental legislation, regulation and other actions, including open skies agreements; its ability to maintain satisfactory labor relations; any disruptions to operations due to any potential actions by its labor groups; weather conditions; and other risks and uncertainties set forth under Item 1A, *Risk Factors* of this Form 10-K, as well as other risks and uncertainties set forth from time to time in the reports the Company files with the SEC. Consequently, forward-looking statements should not be regarded as representations or warranties by the Company that such matters will be realized.

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Interest Rate and Foreign Currency Exchange Rate Risks. United's exposure to market risk associated with changes in interest rates relates primarily to its debt obligations and short-term investments. The Company does not use derivative financial instruments in its investment portfolio. United's policy is to manage interest rate risk through a combination of fixed and variable rate debt and by entering into swap agreements, depending upon market conditions. A portion of United's aircraft lease obligations and related accrued interest (\$306 million in equivalent U.S. dollars at December 31, 2008) is denominated in foreign currencies that expose the Company to risks associated with changes in foreign exchange rates. To hedge against this risk, United has placed foreign currency deposits (\$306 million in equivalent U.S. dollars at December 31, 2008), primarily for euros, to meet foreign currency lease obligations denominated in that respective currency. Since unrealized mark-to-market gains or losses on the foreign currency deposits are offset by the losses or gains on the foreign currency obligations, United has hedged its overall exposure to foreign currency exchange rate volatility with respect to its foreign lease deposits and obligations. The fair value of these deposits is determined based on the present value of future cash flows using an appropriate swap rate. The fair value of long-term debt is predominantly based on the present value of future cash flows using a U.S. Treasury rate that matches the remaining life of the instrument, adjusted by a credit spread and, to a lesser extent, on the quoted market prices for the same or similar instruments. The table below presents information as of December 31, 2008 about certain of the Company's financial instruments that are sensitive to changes in interest and exchange rates. Amounts shown below are the same for both UAL and United, except as noted.

Dollars in millions)	Expected Maturity Date						2008	2007	Fair Value		
	2009	2010	2011	2012	2013	Thereafter	Total	Total	Total	Total	
ASSETS											
Cash equivalents											
Fixed rate(a)	\$ 2,039	\$	\$	\$	\$	\$	\$ 2,039	\$ 2,039	\$ 3,554	\$ 3,554	
Interest rate	1.02%						1.02%		5.08%		
Foreign currency deposits											
Fixed rate EUR											
Deposits	\$ 21	\$ 228	\$ 15	\$	\$	\$	\$ 264	\$ 330	\$ 428	\$ 500	
Accrued interest	7	28	7				42		69		
Interest rate	3.95%	6.86%	4.41%				6.45%		6.54%		
Fixed rate USD											
Deposits	\$	\$ 11	\$	\$	\$	\$	\$ 11	\$ 21	\$ 11	\$ 11	
Accrued interest		9					9		8		
Interest rate		6.49%					6.49%		6.49%		
LONG-TERM DEBT											
Fixed Rate Debt											
Fixed rate debt	\$ 205	\$ 262	\$ 186	\$ 186	\$ 207	\$ 1,594	\$ 2,640	\$ 1,524	\$ 2,510	\$ 2,440	
Interest rate	3.40%	3.34%	3.26%	3.19%	3.11%	3.02%	3.24%		6.18%		
Fixed rate debt	\$ 577	\$ 690	\$ 683	\$ 228	\$ 61	\$ 2,149	\$ 4,388	\$ 2,668	\$ 4,834	\$ 4,388	
Interest rate	6.38%	6.24%	6.11%	5.89%	5.78%	5.73%	6.09%		6.40%		

(a) Amounts also represent United except that in 2008, United's carrying value and fair value of its cash equivalents and debt obligations are approximately \$6 million and \$2 million, respectively, lower than the reported UAL

amounts. The reported 2007 cash equivalents balance includes cash of \$1.3 billion with a weighted average rate of 5.12% and short-term investments of \$2.3 billion with a weighted average rate of 5.04%. United's 2007 cash equivalents and debt obligations were approximately \$56 million and \$3 million, respectively, lower than the amounts reported for UAL.

In addition to the cash equivalents included in the table above, UAL and United have \$54 million and \$50 million of short-term restricted cash, respectively, and \$218 million and \$217 million, respectively, of long-term restricted cash. As discussed in Note 1(d), Summary of Significant Accounting Policies Cash and Cash Equivalents, Short-Term Investments and Restricted Cash in *Combined Notes to Consolidated Financial Statements*, this cash is being held in restricted accounts primarily for workers' compensation obligations, security deposits for airport leases and reserves with institutions that process United's credit card ticket sales. Due to the short term nature of these cash balances, their carrying values approximate their fair values. The Company's interest income is exposed to changes in interest rates on these cash balances. During 2007, the Company also repurchased certain of its own debt instruments, which remain outstanding and have a fair value and carrying value of \$46 million at

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December 31, 2008. The Company recognizes changes in fair value of these securities through other comprehensive income; however, on a net basis, the Company is not exposed to market risk due to the existence of offsetting changes in the fair value of the Company's related debt obligations.

The material changes in the amounts reported in the table above for 2008 as compared to 2007 include the following: (1) cash and short-term investments decreased by approximately \$1.5 billion primarily due to cash used for operating activities as discussed in *Liquidity* above; (2) lease deposits decreased by \$190 million due to scheduled payments and aircraft acquisitions under lease agreement terms; and (3) debt obligations decreased by \$316 million primarily due to scheduled debt repayments in 2008, which were partially offset by new debt issuances in 2008. The interest rate on the Company's cash and variable rate debt decreased in 2008, as compared to 2007, primarily due to a decrease in market interest rates.

Commodity Price Risk (Jet Fuel). Our results of operations and liquidity have been, and may continue to be, materially impacted by changes in the price of aircraft fuel and other oil-related commodities and related derivative instruments. When market conditions indicate risk reduction is achievable, United may use commodity option contracts or other derivative instruments to reduce its price risk exposure to jet fuel. The Company's derivative positions are typically comprised of crude oil, heating oil and jet fuel derivatives. The derivative instruments are designed to provide protection against increases in the price of aircraft fuel. Some derivative instruments may result in hedging losses if the underlying commodity prices drop below specified floors; however, the negative impact of these losses may be offset by the benefit of lower jet fuel acquisition cost since the Company typically does not hedge all of its fuel consumption. United may adjust its hedging program based on changes in market conditions. At December 31, 2008, the fair value of United's fuel-related derivatives was a payable of \$867 million, as compared to a receivable of \$20 million at December 31, 2007. The primary reason for this change was due to the dramatic spike in fuel prices through July 2008 and the subsequent fuel price decreases in the latter part of 2008. At December 31, 2008, the fuel derivative payables includes \$140 million related to pending settlements for purchased options and expired contracts.

As of December 31, 2008, the Company had hedged its forecasted consolidated fuel consumption as shown in the table below.

	Percentage of Projected Fuel Requirements Hedged(a)	Barrels hedged (in 000s)				Weighted-average price per barrel			
		Purchased Puts	Sold Puts(a)	Purchased Calls	Sold Calls	Payment Obligation Stop	Payment Obligation Begin	Hedge Protection Begins	Hedge Protection Ends
First Quarter 2009:	%					\$	\$	\$	\$
Calls	14			1,975		NA	NA	83(b)	NA
Collars	9 (10)		1,425	1,275		NA	109	118	NA
3-way collars	25 (29)		4,125	3,525	3,525	NA	104	118	143
4-way collars	2	225	225	225	225	63	78	95	135
Total	50	225	5,775	7,000	3,750				
Purchased puts	35	4,925				57	NA	NA	NA
Full Year 2009:									
Calls	9			5,350		NA	NA	81(c)	NA

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Collars	5 (6)		3,450	2,775		NA	111	123	NA
3-way collars	18 (22)		12,525	10,350	10,350	NA	102	118	147
4-way collars	2	900	900	900	900	63	78	95	135
Total	34	900	16,875	19,375	11,250				
Purchased puts	17	9,500				54	NA	NA	NA
Calls purchased from January 1, 2009 to January 16, 2009:									
First Quarter 2009	4			525		NA	NA	54	NA
Full Year 2009	2			1,350		NA	NA	59	NA

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- (a) Percent of expected consumption represents the notional amount of the purchased calls in the hedge structures. Certain 3-way collars and collars included in the table above have sold puts with twice the notional amount of the purchased calls. The percentages in parentheses represent the notional amount of sold puts in these hedge structures.
- (b) Call position average includes the following two groupings of positions: 6% of consumption with protection beginning at \$47 per barrel and 8% of consumption beginning at \$106 per barrel.
- (c) Call position average includes the following two groupings of positions: 4% of consumption with protection beginning at \$50 per barrel and 5% of consumption beginning at \$106 per barrel.

As presented in the table above, in 2008 the Company began modifying its fuel hedge portfolio by purchasing put options contracts to effectively cap losses on its short put option positions from further oil price decreases. The Company may take additional actions to reduce potential losses and collateral requirements that could arise from its short put option positions. Certain 3-way collars and collars included in the table above have sold puts with twice the notional amount of the purchased calls. The Company's exposure to losses, should the positions settle below the put exercise price, exceeds its potential benefit from price increases above the purchased call exercise price. The Company classifies gains (losses) resulting from these collar structures as nonoperating income (expense). As of December 31, 2008, the Company had hedged less than 1% of its 2010 forecasted fuel consumption.

The above derivative positions are subject to potential counterparty cash collateral requirements in some circumstances. The Company provided counterparties with cash collateral of \$965 million as of December 31, 2008. This collateral decreased to \$780 million as of January 19, 2009 primarily due to the settlement of the December 2008 contracts. Our counterparties may require greater amounts of collateral when the price of the underlying commodity decreases and lesser amounts when the price of the underlying commodity increases. However, the Company has mitigated some of its exposure to larger collateral requirements by purchasing puts to cover its short put positions as presented in the table above. The following table presents the Company's actual collateral position as of January 19, 2009 and estimated fuel collateral position at the end of each quarter in 2009 based on the Company's January 16, 2009 hedge positions and closing forward curve fuel prices:

(In millions)	Actual		Projected		
	January 19, 2009	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
	\$ 780	\$ 615	\$ 315	\$ 110	\$ 25

Because United had already posted significant amounts of collateral during 2008, the 2009 net cash impacts of the hedge settlements are not expected to be material based on January 16, 2009 forward curve prices and the Company's January 16, 2009 hedge position. As hedges settle, this collateral will be returned to cover cash settled losses. The following table presents information regarding estimated fuel purchase cost and estimated cash requirements to meet fuel hedge losses based on the Company's actual collateral position as of January 19, 2009 using closing forward fuel prices as of January 16, 2009 and other factors.

(Price per gallon)	2009				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Unhedged fuel cost(a)	\$ 1.73	\$ 1.79	\$ 1.89	\$ 1.91	\$ 1.83

Cash hedge losses(b)	0.49	0.39	0.26	0.09	0.31
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(In millions)

Cash hedge losses classified in nonoperating expense(c)	\$ 81	\$ 111	\$ 53	\$ 52	\$ 297
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- (a) Per gallon amount based on assumed cash requirements for fuel purchases, including related taxes and transportation costs
- (b) Per gallon amount based on assumed cash requirements for settlement of economic hedge contracts that have gains or losses classified within mainline fuel expense.
- (c) Assumed cash requirements for settlement of hedge contracts that are classified in nonoperating expense.

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Actual collateral requirements, fuel purchase costs and cash requirements for hedge losses will vary depending on changes in forward fuel prices, modifications to the Company's fuel hedge portfolio and other factors. The table below outlines the Company's estimated collateral provisions at various crude oil prices, based on the hedge portfolio as of January 16, 2009.

Price of Crude Oil, in Dollars per Barrel	Approximate Change in Cash Collateral for each \$5 per Barrel Change in the Price of Crude Oil
Above \$105	No collateral required
At or above \$85, but below \$105	\$45 million
At or above \$25, but below \$85	\$60 million
Below \$25	\$40 million

For example, using the table above, at an illustrative \$35 per barrel at January 16, 2009, the Company's required collateral provision to its derivative counterparties would be approximately \$780 million.

Foreign Currency. United generates revenues and incurs expenses in numerous foreign currencies. Such expenses include fuel, aircraft leases, commissions, catering, personnel expense, advertising and distribution costs, customer service expenses and aircraft maintenance. Changes in foreign currency exchange rates impact the Company's results of operations through changes in the dollar value of foreign currency-denominated operating revenues and expenses.

Despite the adverse effects a strengthening foreign currency may have on demand for U.S.-originating traffic, a strengthening of foreign currencies tends to increase reported revenue and operating income because the Company's foreign currency-denominated operating revenue generally exceeds its foreign currency-denominated operating expense for each currency. Likewise, despite the favorable effects a weakening foreign currency may have on demand for U.S.-originating traffic, a weakening of foreign currencies tends to decrease reported revenue and operating income.

The Company's most significant net foreign currency exposures in 2008, based on exchange rates in effect at December 31, 2008, are presented in the table below:

(In millions)	Operating revenue net of operating expense	
	Foreign Currency Value	USD Value
Chinese renminbi	2,440	\$ 357
Canadian dollar	263	216
European euro	71	99
Hong Kong dollar	714	92
Australian dollar	106	74

The Company uses foreign currency forward contracts to hedge a portion of its exposure to changes in foreign currency exchange rates. As of December 31, 2008, the Company hedged a portion of its expected foreign currency cash flows in the Australian dollar, Canadian dollar and European Euro. As of December 31, 2008, the notional amount of these foreign currencies hedged with the forward contracts in U.S. dollars was approximately \$62 million, based on contractual forward rates. These contracts had a fair value of \$10 million at December 31, 2008 and expire at various dates through March 2009. As of December 31, 2007, the notional amount of these foreign currencies hedged

with the forward contracts in U.S. dollars terms was approximately \$346 million, with a fair value of \$1 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
UAL Corporation
Chicago, Illinois

We have audited the accompanying statements of consolidated financial position of UAL Corporation and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related statements of consolidated operations, consolidated stockholders' equity (deficit), and consolidated cash flows for the years ended December 31, 2008 and 2007 and eleven months ended December 31, 2006 (Successor Company operations) and for the one month ended January 31, 2006 (Predecessor Company operations). Our audits also included the financial statement schedule of the Successor Company for the years ended December 31, 2008 and 2007 and eleven months ended December 31, 2006 and the Predecessor Company for the one month ended January 31, 2006 as listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on January 20, 2006, the Bankruptcy Court entered an order confirming the plan of reorganization which became effective after the close of business on February 1, 2006. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, for the Successor Company as a new entity with assets, liabilities and a capital structure having carrying values not comparable with prior periods as described in Note 1.

In our opinion, the Successor Company consolidated financial statements present fairly, in all material respects, the financial position of UAL Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years ended December 31, 2008 and 2007 and the eleven month period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor Company consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Predecessor Company for the one month ended January 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such Successor Company financial statement schedule and Predecessor Company financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements on January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment which changed the method of accounting for share based payments.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 2, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois

March 2, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
United Air Lines, Inc.
Chicago, Illinois

We have audited the accompanying statements of consolidated financial position of United Air Lines, Inc. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related statements of consolidated operations, consolidated stockholders' equity (deficit), and consolidated cash flows for the years ended December 31, 2008 and 2007 and eleven months ended December 31, 2006 (Successor Company operations) and for the one month ended January 31, 2006 (Predecessor Company operations). Our audits also included the financial statement schedule of the Successor Company for the years ended December 31, 2008 and 2007 and eleven months ended December 31, 2006 and the Predecessor Company for the one month ended January 31, 2006 as listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on January 20, 2006, the Bankruptcy Court entered an order confirming the plan of reorganization which became effective after the close of business on February 1, 2006. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, for the Successor Company as a new entity with assets, liabilities and a capital structure having carrying values not comparable with prior periods as described in Note 1.

In our opinion, the Successor Company consolidated financial statements present fairly, in all material respects, the financial position of United Air Lines, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years ended December 31, 2008 and 2007 and the eleven month period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor Company consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Predecessor Company for the one month ended January 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such Successor Company financial statement schedule and Predecessor Company financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements on January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment which changed the method of accounting for share based payments.

/s/ Deloitte & Touche LLP
Chicago, Illinois
March 2, 2009

Table of Contents**UAL Corporation and Subsidiary Companies***Statements of Consolidated Operations***(In millions, except per share amounts)**

	Successor		Period from	Predecessor
	Year Ended		February 1	Period from
	December 31,		to	January 1
	2008	2007	December 31,	to
			2006	January 31,
				2006
Operating revenues:				
Passenger United Airlines	\$ 15,337	\$ 15,254	\$ 13,293	\$ 1,074
Passenger Regional affiliates	3,098	3,063	2,697	204
Cargo	854	770	694	56
Special operating items (Note 19)		45		
Other operating revenues	905	1,011	1,198	124
	20,194	20,143	17,882	1,458
Operating expenses:				
Aircraft fuel	7,722	5,003	4,462	362
Salaries and related costs	4,311	4,261	3,909	358
Regional affiliates	3,248	2,941	2,596	228
Purchased services	1,375	1,346	1,148	98
Aircraft maintenance materials and outside repairs	1,096	1,166	929	80
Depreciation and amortization	932	925	820	68
Landing fees and other rent	862	876	801	75
Distribution expenses	710	779	738	60
Aircraft rent	409	406	385	30
Cost of third party sales	272	316	614	65
Goodwill impairment (Note 3)	2,277			
Other impairments and special items (Notes 3 and 19)	339	(44)	(36)	
Other operating expenses	1,079	1,131	1,017	86
	24,632	19,106	17,383	1,510
Earnings (loss) from operations	(4,438)	1,037	499	(52)
Other income (expense):				
Interest expense	(523)	(661)	(728)	(42)
Interest income	112	257	243	6
Interest capitalized	20	19	15	
Gain on sale of investment (Note 20)		41		
Miscellaneous, net (Note 13)	(550)	2	14	
	(941)	(342)	(456)	(36)

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Earnings (loss) before reorganization items, income taxes and equity in earnings of affiliates	(5,379)	695	43	(88)
Reorganization items, net (Note 4)				22,934
Earnings (loss) before income taxes and equity in earnings of affiliates	(5,379)	695	43	22,846
Income tax expense (benefit)	(25)	297	21	
Earnings (loss) before equity in earnings of affiliates	(5,354)	398	22	22,846
Equity in earnings of affiliates, net of tax	6	5	3	5
Net income (loss)	\$ (5,348)	\$ 403	\$ 25	\$ 22,851
Earnings (loss) per share, basic	\$ (42.21)	\$ 3.34	\$ 0.14	\$ 196.61
Earnings (loss) per share, diluted	\$ (42.21)	\$ 2.79	\$ 0.14	\$ 196.61

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**UAL Corporation and Subsidiary Companies*****Statements of Consolidated Financial Position*****(In millions, except shares)**

	At December 31,	
	2008	2007
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 2,039	\$ 1,259
Short-term investments		2,295
Restricted cash	54	325
Fuel hedge collateral deposits	953	
Receivables, less allowance for doubtful accounts (2008 \$24; 2007 \$27)	714	888
Deferred income taxes	263	78
Prepaid fuel	219	493
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2008 \$48; 2007 \$25)	237	242
Prepaid expenses and other	382	515
	4,861	6,095
Operating property and equipment:		
Owned		
Flight equipment	8,766	9,335
Advances on flight equipment		102
Other property and equipment	1,751	1,669
	10,517	11,106
Less Accumulated depreciation and amortization	(1,598)	(1,062)
	8,919	10,044
Capital leases		
Flight equipment	1,578	1,449
Other property and equipment	39	34
	1,617	1,483
Less Accumulated amortization	(224)	(168)
	1,393	1,315
	10,312	11,359
Other assets:		

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Intangibles, less accumulated amortization (Note 3) (2008 \$339; 2007 \$324)	2,693	2,871
Goodwill (Note 3)		2,280
Aircraft lease deposits	297	340
Restricted cash	218	431
Investments (Note 20)	81	122
Other, net (Note 3)	999	722
	4,288	6,766
	\$ 19,461	\$ 24,220

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**UAL Corporation and Subsidiary Companies****Statements of Consolidated Financial Position****(In millions, except shares)**

	At December 31,	
	2008	2007
<i>Liabilities and Stockholders Equity (Deficit)</i>		
Current liabilities:		
Advance ticket sales	\$ 1,530	\$ 1,918
Mileage Plus deferred revenue	1,414	1,268
Accounts payable	829	877
Long-term debt maturing within one year (Note 12)	782	678
Accrued salaries, wages and benefits	756	896
Fuel derivative payable (Note 13)	858	
Fuel purchase commitments	219	493
Current obligations under capital leases (Note 15)	168	250
Accrued interest	112	141
Distribution payable (Note 21)	4	257
Advanced purchase of miles (Note 17)		694
Other	609	507
	7,281	7,979
Long-term debt (Note 12)	6,007	6,415
Long-term obligations under capital leases (Note 15)	1,192	1,106
Other liabilities and deferred credits:		
Mileage Plus deferred revenue	2,768	2,569
Postretirement benefit liability (Note 9)	1,812	1,829
Advanced purchase of miles (Note 17)	1,087	
Deferred income taxes	799	638
Other	980	895
	7,446	5,931
Commitments and contingent liabilities (Note 14)		
Mandatorily convertible preferred securities (Note 5)		371
Stockholders' equity (deficit):		
Preferred stock (Note 5)		
Common stock at par, \$0.01 par value; authorized 1,000,000,000 shares; outstanding 140,037,928 and 116,921,049 shares at December 31, 2008 and 2007, respectively (Note 5)	1	1

Additional capital invested	2,666	2,139
Retained earnings (deficit)	(5,199)	152
Stock held in treasury, at cost (Note 5)	(26)	(15)
Accumulated other comprehensive income (Note 11)	93	141
	(2,465)	2,418
	\$ 19,461	\$ 24,220

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**UAL Corporation and Subsidiary Companies***Statements of Consolidated Cash Flows*

(In millions)

	Successor		Predecessor	
	Year Ended		Period from	Period from
	December 31,	December 31,	February 1	from
	2008	2007	to	January 1
			December 31,	to
			2006	January 31,
				2006
Cash flows provided (used) by operating activities:				
Net income (loss) before reorganization items	\$ (5,348)	\$ 403	\$ 25	\$ (83)
Adjustments to reconcile to net cash provided (used) by operating activities				
Goodwill impairment	2,277			
Other impairments and special items	339	(89)	(36)	
Depreciation and amortization	932	925	820	68
Mileage Plus deferred revenue and advanced purchase of miles	738	170	269	14
Debt and lease discount amortization	49	41	83	
Share-based compensation	31	49	159	
Deferred income taxes	(26)	310	21	
Pension expense (benefit), net of contributions	(13)	(5)	(4)	8
Postretirement benefit expense, net of contributions	1	7	76	(9)
Gain on sale of investments		(41)		
Other operating activities	27	54	56	(7)
Changes in assets and liabilities				
Increase in fuel hedge collateral	(965)			
Increase in fuel derivative payables	858			
Increase (decrease) in accrued liabilities	(155)	189	(257)	154
Increase (decrease) in advance ticket sales	(388)	249	4	109
Decrease (increase) in other current assets	257	(269)	14	(24)
Decrease (increase) in receivables	195	(59)	131	(88)
Increase (decrease) in accounts payable	(48)	200	40	19
	(1,239)	2,134	1,401	161
Cash flows provided (used) by reorganization activities:				
Reorganization items, net				22,934
Discharge of claims and liabilities				(24,628)
Revaluation of Mileage Plus frequent flyer deferred revenue				2,399
Revaluation of other assets and liabilities				(2,106)
Increase (decrease) in other liabilities				37
Increase in non-aircraft claims accrual				429

Pension curtailment, settlement and employee claims				912
				(23)
Cash flows provided (used) by investing activities:				
Net (purchases) sales of short-term investments	2,295	(1,983)	(237)	2
(Increase) decrease in restricted cash	484	91	313	(203)
Additions to property and equipment	(415)	(658)	(332)	(30)
Additions to deferred software costs	(60)	(65)	(46)	
Proceeds from asset sale-leasebacks	274			
Proceeds on disposition of property and equipment	94	19	40	(1)
Proceeds on litigation of advanced deposits	41			
Proceeds on sale of investments		128	56	
Purchases of EETC securities		(96)		
Decrease in segregated funds			200	
Other, net	8	4	(6)	(6)
	2,721	(2,560)	(12)	(238)
Cash flows provided (used) by financing activities:				
Proceeds from Credit Facility			2,961	
Repayment of Credit Facility	(18)	(1,495)	(175)	
Repayment of other long-term debt	(666)	(1,257)	(664)	(24)
Proceeds from issuance of long-term debt	337	694		
Special distribution to common shareholders	(253)			
Principal payments under capital leases	(235)	(177)	(99)	(5)
Decrease in aircraft lease deposits	155	80		
Payment of deferred financing costs	(120)	(18)	(66)	(1)
Proceeds from sale of common stock	107			
Purchases of treasury stock	(11)	(11)	(4)	
Repayment of DIP financing			(1,157)	
Proceeds from exercise of stock options		35	10	
Other, net	2	2	6	
	(702)	(2,147)	812	(30)
Increase (decrease) in cash and cash equivalents during the period	780	(2,573)	2,201	(130)
Cash and cash equivalents at beginning of period	1,259	3,832	1,631	1,761
Cash and cash equivalents at end of period	\$ 2,039	\$ 1,259	\$ 3,832	\$ 1,631

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**UAL Corporation and Subsidiary Companies****Statements of Consolidated Stockholders' Equity (Deficit)****(In millions)**

	Common Stock	Additional Capital Invested	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
<i>Predecessor Company</i>						
Balance at December 31, 2005	\$ 1	\$ 5,064	\$ (29,122)	\$ (1,467)	\$ (36)	\$ (25,560)
Net loss before reorganization items January 2006			(83)			(83)
Reorganization items January 2006			(1,401)			(1,401)
Subtotal	1	5,064	(30,606)	(1,467)	(36)	(27,044)
Fresh-start adjustments:						
Unsecured claims and debt discharge			24,628			24,628
Valuation adjustments, net			(293)			(293)
Balance at January 31, 2006	1	5,064	(6,271)	(1,467)	(36)	(2,709)
Fresh-start adjustments:						
Cancellation of preferred and common stock	(1)	(5,064)		1,467		(3,598)
Elimination of accumulated deficit and accumulated other comprehensive loss			6,271		36	6,307
Issuance of new equity interests in connection with emergence from Chapter 11	1	1,884				1,885
<i>Successor Company</i>						
Balance at February 1, 2006	1	1,884				1,885
Net income from February 1, 2006 to December 31, 2006			25			25
Other comprehensive income (loss), net:						
Unrealized loss on derivatives, net					(5)	(5)
Total comprehensive income, net			25		(5)	20

Adoption of SFAS 158, net \$47 of tax					87	87
Preferred stock dividends			(9)			(9)
Share-based compensation	159					159
Proceeds from exercise of stock options	10					10
Treasury stock acquisitions				(4)		(4)
Balance at December 31, 2006	1	2,053	16	(4)	82	2,148
Net income			403			403
Other comprehensive income, net:						
Unrealized gains on financial instruments, net					5	5
Pension and other postretirement plans (Note 9)						
Net gain arising during period, net \$63 of tax					102	102
Less: amortization of prior period gains, net					(8)	(8)
Total pension and other postretirement plans					94	94
Total comprehensive income, net			403		99	502
Common stock distribution declared			(257)			(257)
Preferred stock dividends			(10)			(10)
Tax adjustment on SFAS 158 adoption (Note 11)					(40)	(40)
Share-based compensation	49					49
Proceeds from exercise of stock options	35					35
Adoption of FIN 48	2					2
Treasury stock acquisitions				(11)		(11)
Balance at December 31, 2007	1	2,139	152	(15)	141	2,418
Net loss			(5,348)			(5,348)
Other comprehensive income (loss):						
Unrealized losses on financial instruments					(37)	(37)
Pension and other postretirement plans (Note 9)						
Net gain arising during period					8	8
Less: amortization of prior period gains					(19)	(19)
Total pension and other postretirement plans					(11)	(11)

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Total comprehensive loss, net			(5,348)		(48)	(5,396)
Preferred stock dividends			(3)			(3)
Conversion of preferred stock		374				374
Sale of common stock		122				122
Share-based compensation		31				31
Treasury stock acquisitions				(11)		(11)
Balance at December 31, 2008	\$ 1	\$ 2,666	\$ (5,199)	\$ (26)	\$ 93	\$ (2,465)

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies***Statements of Consolidated Operations*

(In millions)

	Successor		Period from	Predecessor
			February 1	Period from
			to	January 1
	Year Ended		December 31,	to
	December 31,		December 31,	January 31,
	2008	2007	2006	2006
Operating revenues:				
Passenger United Airlines	\$ 15,337	\$ 15,254	\$ 13,293	\$ 1,074
Passenger Regional affiliates	3,098	3,063	2,697	204
Cargo	854	770	694	56
Special operating items (Note 19)		45		
Other operating revenues	948	999	1,196	120
	20,237	20,131	17,880	1,454
Operating expenses:				
Aircraft fuel	7,722	5,003	4,462	362
Salaries and related costs	4,312	4,257	3,907	358
Regional affiliates	3,248	2,941	2,596	228
Purchased services	1,375	1,346	1,146	97
Aircraft maintenance materials and outside repairs	1,096	1,166	929	80
Depreciation and amortization	932	925	820	68
Landing fees and other rent	862	876	800	75
Distribution expenses	710	779	738	60
Aircraft rent	411	409	386	30
Cost of third party sales	269	312	604	63
Goodwill impairment (Note 3)	2,277			
Other impairments and special items (Notes 3 and 19)	339	(44)	(36)	
Other operating expenses	1,077	1,129	1,017	85
	24,630	19,099	17,369	1,506
Earnings (loss) from operations	(4,393)	1,032	511	(52)
Other income (expense):				
Interest expense	(523)	(660)	(729)	(42)
Interest income	112	260	250	6
Interest capitalized	20	19	15	
Gain on sale of investment (Note 20)		41		
Miscellaneous, net (Note 13)	(550)	1	11	
	(941)	(339)	(453)	(36)

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Earnings (loss) before reorganization items, income taxes and equity in earnings of affiliates	(5,334)	693	58	(88)
Reorganization items, net (Note 4)				22,709
Earnings (loss) before income taxes and equity in earnings of affiliates	(5,334)	693	58	22,621
Income tax expense (benefit)	(22)	296	29	
Earnings (loss) before equity in earnings of affiliates	(5,312)	397	29	22,621
Equity in earnings of affiliates, net of tax	6	5	3	5
Net income (loss)	\$ (5,306)	\$ 402	\$ 32	\$ 22,626

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies***Statements of Consolidated Financial Position*

(In millions, except shares)

	December 31,	
	2008	2007
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 2,033	\$ 1,239
Short-term investments		2,259
Restricted cash	50	291
Fuel hedge collateral deposits	953	
Receivables, less allowance for doubtful accounts (2008 \$24; 2007 \$27)	704	880
Prepaid fuel	219	493
Deferred income taxes	260	72
Receivables from related parties	214	151
Aircraft fuel, spare parts and supplies, less obsolescence allowance (2008 \$48; 2007 \$25)	237	242
Prepaid expenses and other	376	513
	5,046	6,140
Operating property and equipment:		
Owned		
Flight equipment	8,766	9,329
Advances on flight equipment		91
Other property and equipment	1,751	1,669
	10,517	11,089
Less accumulated depreciation and amortization	(1,598)	(1,062)
	8,919	10,027
Capital leases		
Flight equipment	1,578	1,449
Other property and equipment	39	34
	1,617	1,483
Less accumulated amortization	(224)	(168)
	1,393	1,315
	10,312	11,342
Other assets:		

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Intangibles, less accumulated amortization (Note 3) (2008 \$339; 2007 \$324)	2,693	2,871
Goodwill (Note 3)		2,280
Aircraft lease deposits	297	340
Restricted cash	217	431
Investments (Note 20)	81	122
Other, net (Note 3)	986	710
	4,274	6,754
	\$ 19,632	\$ 24,236

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies***Statements of Consolidated Financial Position*

(In millions, except shares)

	December 31,	
	2008	2007
<i>Liabilities and Stockholder's Equity (Deficit)</i>		
Current liabilities:		
Advance ticket sales	\$ 1,530	\$ 1,918
Mileage Plus deferred revenue	1,414	1,268
Accounts payable	833	882
Long-term debt maturing within one year (Note 12)	780	678
Accrued salaries, wages and benefits	756	896
Fuel derivative payable (Note 13)	858	
Fuel purchase commitments	219	493
Current obligations under capital leases (Note 15)	168	250
Accrued interest	112	141
Advanced purchase of miles (Note 17)		694
Other	876	723
	7,546	7,943
Long-term debt (Note 12)	6,007	6,412
Long-term obligations under capital leases (Note 15)	1,192	1,106
Other liabilities and deferred credits:		
Mileage Plus deferred revenue	2,768	2,569
Postretirement benefit liability (Note 9)	1,812	1,829
Advanced purchase of miles (Note 17)	1,087	
Deferred income taxes	719	555
Other	981	895
	7,367	5,848
Commitments and contingent liabilities (Note 14)		
Parent company mandatorily convertible preferred securities (Note 5)		371
Stockholder's equity (deficit):		
Common stock at par, \$5 par value; authorized 1,000 shares; issued 205 shares at December 31, 2008 and 2007		
Additional capital invested	2,578	2,000
Retained earnings (deficit)	(5,151)	415
Accumulated other comprehensive income	93	141

	(2,480)	2,556
\$	19,632	\$ 24,236

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies***Statements of Consolidated Cash Flows*

(In millions)

	Successor		Predecessor	
	Year Ended		Period from	Period from
	December 31,		February 1	from
	to		to	January 1
	December 31,		December 31,	to
	2008	2007	2006	January 31,
				2006
Cash flows provided (used) by operating activities:				
Net income (loss) before reorganization items	\$ (5,306)	\$ 402	\$ 32	\$ (83)
Adjustments to reconcile to net cash provided (used) by operating activities				
Goodwill impairment	2,277			
Other impairments and special items	339	(89)	(36)	
Depreciation and amortization	932	925	820	68
Mileage Plus deferred revenue and advanced purchase of miles	738	170	269	14
Debt and lease discount amortization	49	41	83	
Share-based compensation	31	49	159	
Deferred income taxes	(26)	318	29	
Pension expense (benefit), net of contributions	(13)	(5)	(4)	8
Postretirement benefit expense, net of contributions	1	7	76	(9)
Gain on sale of investment		(41)		
Other operating activities	(27)	46	62	3
Changes in assets and liabilities				
Increase in fuel hedge collateral	(965)			
Increase in fuel derivative payables	858			
Increase (decrease) in accrued liabilities	(128)	172	(263)	152
Increase (decrease) in advance ticket sales	(388)	249	4	109
Decrease (increase) in other current assets	257	(269)	13	(26)
Decrease (increase) in receivables	197	(58)	131	(98)
Increase (decrease) in accounts payable	(49)	210	50	25
	(1,223)	2,127	1,425	163
Cash flows provided (used) by reorganization activities:				
Reorganization items, net				22,709
Discharge of claims and liabilities				(24,389)
Revaluation of Mileage Plus frequent flyer deferred revenue				2,399
Revaluation of other assets and liabilities				(2,111)
Increase (decrease) in other liabilities				38
Increase in non-aircraft claims accrual				421

Pension curtailment, settlement and termination				912
				(21)
Cash flows provided (used) by investing activities:				
Net (purchases) sales of short-term investments	2,259	(1,951)	(233)	2
(Increase) decrease in restricted cash	455	87	322	(203)
Additions to property and equipment	(415)	(658)	(332)	(30)
Additions to deferred software costs	(60)	(65)	(46)	
Proceeds from asset sale-leasebacks	274			
Proceeds on disposition of property and equipment	93	18	40	(1)
Proceeds from litigation on advanced deposits	41			
Proceeds on sale of investments		128		
Purchases of EETC securities		(96)		
Decrease in segregated funds			200	
Other, net	9	4	(6)	(6)
	2,656	(2,533)	(55)	(238)
Cash flows provided (used) by financing activities:				
Proceeds from Credit Facility			2,961	
Repayment of Credit Facility	(18)	(1,495)	(175)	
Repayment of other long-term debt	(664)	(1,255)	(663)	(24)
Proceeds from issuance of long-term debt	337	694		
Dividend to parent	(257)			
Capital contributions from parent	163			
Principal payments under capital leases	(235)	(177)	(99)	(5)
Decrease in aircraft lease deposits	155	80		
Payment of deferred financing costs	(120)	(18)	(66)	(1)
Repayment of DIP financing			(1,157)	
Proceeds from exercise of stock options		35	10	
Other, net		2	2	
	(639)	(2,134)	813	(30)
Increase (decrease) in cash and cash equivalents during the period	794	(2,540)	2,183	(126)
Cash and cash equivalents at beginning of period	1,239	3,779	1,596	1,722
Cash and cash equivalents at end of period	\$ 2,033	\$ 1,239	\$ 3,779	\$ 1,596

See accompanying *Combined Notes to Consolidated Financial Statements*.

Table of Contents**United Air Lines, Inc. and Subsidiary Companies****Statements of Consolidated Stockholder s Equity (Deficit)****(In millions)**

	Receivable from Affiliates	Common Stock	Additional Capital Invested	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
<i>Predecessor Company</i>						
Balance at December 31, 2005	\$ (1,237)	\$	\$ 4,213	\$ (28,809)	\$ (36)	\$ (25,869)
Net loss before reorganization items January 2006				(83)		(83)
Reorganization items January 2006				(1,392)		(1,392)
Subtotal	(1,237)		4,213	(30,284)	(36)	(27,344)
Fresh start adjustments:						
Unsecured claims and debt discharge				24,389		24,389
Valuation adjustments, net				(288)		(288)
Balance at January 31, 2006	(1,237)		4,213	(6,183)	(36)	(3,243)
Fresh start adjustments:						
Elimination of accumulated deficit and accumulated other comprehensive loss				6,183	36	6,219
Cancellation of receivable from affiliates and additional capital invested	1,237		(4,213)			(2,976)
Issuance of new equity interests in connection with emergence from Chapter 11			1,952			1,952
<i>Successor Company</i>						
Balance at February 1, 2006			1,952			1,952
Net income from February 1 to December 31, 2006				32		32
Other comprehensive income (loss), net:						
Unrealized loss on derivatives, net					(5)	(5)
Total comprehensive income, net				32	(5)	27

Adoption of SFAS 158, net \$47 of tax			87	87
Preferred stock dividends (Note 5)		(9)		(9)
Asset contribution from parent	6			6
Share-based compensation	159			159
Proceeds from exercise of stock options	10			10
Balance at December 31, 2006	2,127	23	82	2,232
Net income		402		402
Other comprehensive income, net:				
Unrealized gains on financial instruments, net			5	5
Pension and other postretirement plans (Note 9)				
Net gain arising during period, net \$63 of tax			102	102
Less: amortization of prior period gains, net			(8)	(8)
Total pension and other postretirement plans			94	94
Total comprehensive income, net		402	99	501
Preferred stock dividends (Note 5)		(10)		(10)
Adoption of FIN 48	2			2
Tax adjustment on SFAS 158 adoption (Note 11)			(40)	(40)
MPI note forgiveness (Note 18)	(213)			(213)
Share-based compensation	49			49
Proceeds from exercise of stock options	35			35
Balance at December 31, 2007	2,000	415	141	2,556
Net loss		(5,306)		(5,306)
Other comprehensive income (loss):				
Unrealized losses on financial instruments			(37)	(37)
Pension and other postretirement plans (Note 9)				
Net gain arising during period			8	8
Less: amortization of prior period gains			(19)	(19)
Total pension and other postretirement plans			(11)	(11)
Total comprehensive loss, net		(5,306)	(48)	(5,354)

Dividend to parent				(257)			(257)
Preferred stock dividends (Note 5)				(3)			(3)
Conversion of preferred stock			374				374
Capital contributions from parent (Note 18)			173				173
Share-based compensation			31				31
Balance at December 31, 2008	\$	\$	\$ 2,578	\$ (5,151)	\$	93	\$ (2,480)

See accompanying *Combined Notes to Consolidated Financial Statements*.

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UAL Corporation and Subsidiary Companies

Combined Notes to Consolidated Financial Statements

The Company

UAL Corporation (together with its consolidated subsidiaries, UAL) is a holding company whose principal, wholly-owned subsidiary is United Air Lines, Inc. (together with its consolidated subsidiaries, United). We sometimes use the words we, our, us and the Company in this Annual Report on Form 10-K for disclosures that relate to both UAL and United.

This Annual Report on Form 10-K is a combined report of UAL and United. Therefore, these *Combined Notes to Consolidated Financial Statements* apply to both UAL and United, unless otherwise noted. As UAL consolidates United for financial statement purposes, disclosures that relate to activities of United also apply to UAL.

(1) Summary of Significant Accounting Policies

- (a) ***Basis of Presentation*** UAL is a holding company whose principal subsidiary is United. The Company's consolidated financial statements include the accounts of its majority-owned affiliates. All significant intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year's presentation. Reclassifications in the *Statements of Consolidated Cash Flows* include reclassifications of Other impairments and special items and Additions to deferred software costs which are currently classified as a separate line items and were historically classified within Other operating activities and Other investing activities, respectively.

Upon emergence from its Chapter 11 proceedings, the Company adopted fresh-start reporting in accordance with American Institute of Certified Public Accountants' Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code* (SOP 90-7) as of February 1, 2006. The Company's emergence from reorganization resulted in a new reporting entity with no retained earnings or accumulated deficit as of February 1, 2006 (the Effective Date). Accordingly, the Company's consolidated financial statements for periods before February 1, 2006 are not comparable to consolidated financial statements presented on or after February 1, 2006. References to Successor Company refer to UAL and United on or after February 1, 2006, after giving effect to the adoption of fresh-start reporting. References to Predecessor Company refer to UAL and United before February 1, 2006. See Note 4, Voluntary Reorganization Under Chapter 11 Fresh-Start Reporting, for further details.

- (b) ***Use of Estimates*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company estimates fair value of its financial instruments and its reporting units and indefinite-lived intangible assets for testing impairment of indefinite-lived intangible assets, including goodwill. These estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions and values reflected in the valuations will be realized, and actual results could vary materially.

- (c)

Airline Revenues The value of unused passenger tickets and miscellaneous charge orders (MCOs) are included in current liabilities as advance ticket sales. United records passenger ticket sales and tickets sold by other airlines for use on United as operating revenues when the transportation is provided or when the ticket expires. Tickets sold by other airlines are recorded at the estimated values to be billed to the other airlines. Non-refundable tickets generally expire on the date of the intended flight, unless the date is extended by notification from the customer

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on or before the intended flight date. Fees charged in association with changes or extensions to non-refundable tickets are recorded as passenger revenue at the time the fee is incurred. Change fees related to non-refundable tickets are considered a separate transaction from the air transportation because they represent a charge for the Company's additional service to modify a previous order. Therefore, the pricing of the change fee and the initial customer order are separately determined and represent distinct earnings processes. Refundable tickets expire after one year.

MCOs can be exchanged for a passenger ticket or refunded after issuance. United estimates the amount of MCOs that will not be exchanged or refunded and recognizes revenue for these MCOs ratably over the redemption period, based on historical experience.

United records an estimate of tickets that have been used, but not recorded as revenue due to system processing errors, as revenue in the month of sale based on historical results. Due to complex industry pricing structures, refund and exchange policies and interline agreements with other airlines, certain amounts are recognized as revenue using estimates both as to the timing of recognition and the amount of revenue to be recognized. These estimates are based on the evaluation of actual historical results. United recognizes cargo and mail revenue as service is provided.

- (d) ***Cash and Cash Equivalents, Short-Term Investments, Restricted Cash*** Cash in excess of operating requirements is invested in short-term, highly liquid investments. Investments with a maturity of three months or less on their acquisition date are classified as cash and cash equivalents. Other investments are classified as short-term investments. Investments classified as held-to-maturity are stated at amortized cost, which approximates market due to their short-term maturities. Investments in debt securities classified as available-for-sale are stated at fair value. The gains or losses from sales of available-for-sale securities are included in other comprehensive income.

As of December 31, 2008, approximately 50% of the Company's cash and cash equivalents consisted of money market funds directly or indirectly invested in U.S. treasury securities with the remainder largely in money market funds that are covered by the new government money market funds guarantee program. There are no withdrawal restrictions at the present time on any of the money market funds in which the Company has invested. In addition, the Company has no auction rate securities as of December 31, 2008. At December 31, 2007, UAL's and United's investments in debt securities classified as held-to-maturity included \$1.3 billion and \$1.2 billion, respectively, recorded in cash and cash equivalents and \$2.3 billion recorded in short-term investments for both UAL and United.

In 2008 and 2007, restricted cash includes cash collateral to secure workers' compensation obligations and reserves for institutions that process credit card ticket sales. The Company classifies changes in restricted cash balances as an investing activity in its statement of consolidated cash flows, because we consider restricted cash similar to an investment. Certain other companies within our industry also classify certain of their restricted cash transactions as investing activities in their statement of cash flows, while others classify certain of their restricted cash transactions as operating activities in their statement of cash flows. The pro-forma impact of UAL classifying all changes in its restricted cash balances as operating activities in the years ended December 31, 2008 and 2007, the eleven month period from February 1, 2006 to

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December 31, 2006 and the one month period ended January 31, 2006 is shown in the table below:

(In millions)	Successor		Predecessor	
	Year Ended		Period	
	December 31,		from	
	2008	2007	January 1	
			to	
			January 31,	
			2006	
Cash flows provided (used) from operating activities	\$ (1,239)	\$ 2,134	\$ 1,401	\$ 161
Adjustment for (increase) decrease in restricted cash	484	91	313	(203)
Pro-forma cash flows provided (used) from operating activities	\$ (755)	\$ 2,225	\$ 1,714	\$ (42)
Cash flows provided (used) from investing activities	\$ 2,721	\$ (2,560)	\$ (12)	\$ (238)
Adjustment for increase (decrease) in restricted cash	(484)	(91)	(313)	203
Pro-forma cash flows provided (used) from investing activities	\$ 2,237	\$ (2,651)	\$ (325)	\$ (35)

See Note 20, Investments, for information related to the Company's investments in noncurrent debt securities.

- (e) **Aircraft Fuel, Spare Parts and Supplies** The Company records fuel, maintenance, operating supplies and aircraft spare parts at cost when acquired and provides an obsolescence allowance for aircraft spare parts.
- (f) **Operating Property and Equipment** The Company records additions to owned operating property and equipment at cost when acquired. Property under capital leases and the related obligation for future lease payments are recorded at an amount equal to the initial present value of those lease payments. Owned operating property and equipment, and equipment under capital leases, were stated at fair value as of February 1, 2006 upon the adoption of fresh-start reporting.

Depreciation and amortization of owned depreciable assets is based on the straight-line method over the assets estimated service lives. Leasehold improvements are amortized over the remaining term of the lease, including estimated facility renewal options when renewal is reasonably assured at key airports, or the estimated service life of the related asset, whichever is less. Properties under capital leases are amortized on the straight-line method over the life of the lease or, in the case of certain aircraft, over their estimated service lives. Amortization of capital leases is included in depreciation and amortization expense. The estimated useful lives of our property and equipment are as follows:

	Estimated Useful Life (in years)
Aircraft	27 to 30
Buildings	25 to 45
Other property and equipment	4 to 15
Software (a)	5

Aircraft lease terms	3 to 17
Building lease terms	40

- (a) The carrying amount of computer software, which is classified as noncurrent other assets in our *Statements of Consolidated Financial Position*, was \$182 million and \$157 million at December 31, 2008 and 2007, respectively.

Maintenance and repairs, including the cost of minor replacements, are charged to maintenance expense as incurred, except for costs incurred under our power-by-the-hour engine maintenance agreements, which are expensed based upon the number of hours flown. Costs of additions to and renewals of units of property are capitalized as property and equipment additions.

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- (g) ***Mileage Plus Awards*** The Company has an agreement with its co-branded credit card partner that requires our partner to purchase miles in advance of when miles are awarded to the co-branded partner's cardholders (referred to as pre-purchased miles). These sales are deferred when received by United in our *Statements of Consolidated Financial Position* as Advanced purchase of miles. Subsequently, when our credit card partner awards pre-purchased miles to its cardholders, we transfer the related air transportation element for the awarded miles from Advanced purchase of miles to Mileage Plus deferred revenue at estimated fair value and record the residual marketing element as Other operating revenue. The deferred revenue portion is then subsequently recognized as passenger revenue when transportation is provided in exchange for the miles awarded. Additional information on accounting for each of these elements is as follows:

Air Transportation Element. The Company defers the portion of the sales proceeds that represents estimated fair value of the air transportation and recognizes that amount as revenue when transportation is provided. The fair value of the air transportation component is determined based upon the equivalent ticket value of similar fares on United and amounts paid to other airlines for miles. The initial revenue deferral is presented as Mileage Plus deferred revenue on our *Statements of Consolidated Financial Position*. When recognized, the revenue related to the air transportation component is classified as passenger revenues in our *Statements of Consolidated Operations*.

Marketing-related element. The amount of revenue from the marketing-related element is determined by subtracting the fair value of the air transportation from the total sales proceeds. The residual portion of the sales proceeds related to marketing activities is recognized when miles are awarded. This portion is recognized as Other operating revenues in our *Statements of Consolidated Operations*.

The Company's frequent flyer obligation was recorded at fair value at February 1, 2006, the effective date of the Company's emergence from bankruptcy. The deferred revenue measurement method used to record fair value of the frequent flyer obligation on and after the Effective Date is to allocate an equivalent weighted-average ticket value to each outstanding mile, based upon projected redemption patterns for available award choices when such miles are consumed. Such value is estimated assuming redemptions on both United and other participating carriers in the Mileage Plus program and by estimating the relative proportions of awards to be redeemed by class of service within broad geographic regions of the Company's operations, including North America, Atlantic, Pacific and Latin America.

The estimation of the fair value of each award mile requires the use of several significant assumptions, for which significant management judgment is required. For example, management must estimate how many miles are projected to be redeemed on United, versus on other airline partners. Since the equivalent ticket value of miles redeemed on United and on other carriers can vary greatly, this assumption can materially affect the calculation of the weighted-average ticket value from period to period.

Management must also estimate the expected redemption patterns of Mileage Plus customers, who have a number of different award choices when redeeming their miles, each of which can have materially different estimated fair values. Such choices include different classes of service (first, business and several coach award levels), as well as different flight itineraries, such as domestic and international routings and different itineraries within domestic and international regions of United's and other participating carriers' route networks. Customer redemption patterns may also be influenced by program changes, which occur from time to time and introduce new award choices, or make material changes to the terms of existing award choices. Management must often estimate the probable impact of such program changes on future customer behavior, which requires the use of significant judgment. Management uses historical customer redemption patterns as the best single indicator of future redemption behavior in

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making its estimates, but changes in customer mileage redemption behavior to patterns which are not consistent with historical behavior can result in material changes to deferred revenue balances, and to recognized revenue.

The Company measures its deferred revenue obligation using all awarded and outstanding miles, regardless of whether or not the customer has accumulated enough miles to redeem an award. Eventually these customers will accumulate enough miles to redeem awards, or their accounts will deactivate after a period of inactivity, in which case the Company will recognize the related revenue through its revenue recognition policy for expired miles.

The Company recognizes revenue related to expected expired miles over the estimated redemption period. Management's estimate of the expected expiration of miles requires significant management judgment. In early 2007, the Company announced that it was reducing the expiration period for inactive accounts from 36 months to 18 months effective December 31, 2007. The change in the expiration period increased revenues by \$246 million in 2007. Current and future changes to expiration assumptions or to the expiration policy, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance, as well as recognized revenues from the program. In 2008, the Company updated certain of its assumptions related to the recognition of revenue for expiration of miles. Based on additional analysis of mileage redemption and expiration patterns, the Company revised the estimated number of miles that are expected to expire from 15% to 24% of earned miles, including miles that will expire or go unredeemed for reasons other than account deactivation. In 2008, the Company also extended the total time period over which revenue from the expiration of miles is recognized based upon the estimated period of miles redemption. This change did not materially impact the Company's Mileage Plus revenue recognition in 2008.

See Note 17, *Advanced Purchase of Miles*, for additional information related to the Mileage Plus program.

- (h) ***Deferred Gains (Losses)*** Gains and losses on aircraft sale and leaseback transactions are deferred and amortized over the terms of the related leases as an adjustment to aircraft rent expense.
- (i) ***United Express*** United has agreements under which independent regional carriers, flying under the United Express name, connect passengers to other United Express and/or United flights (the latter of which we also refer to as *mainline* operations, to distinguish them from United Express regional operations). The vast majority of United Express flights are operated under capacity agreements, while a relatively smaller number are operated under prorate agreements.

United Express operating revenues and expenses are classified as *Passenger Regional affiliates* and *Regional affiliates*, respectively, in the *Statements of Consolidated Operations*. Regional affiliate expense includes both allocated and direct costs. Direct costs represent expenses that are specifically and exclusively related to United Express flying activities, such as capacity agreement payments, commissions, booking fees, fuel expenses and dedicated staffing. The capacity agreement payments are based on specific rates for various operating expenses of the United Express carriers, such as crew expenses, maintenance and aircraft ownership, some of which are multiplied by specific operating statistics (e.g., block hours, departures) while others are fixed per month. Allocated costs represent United Express's portion of shared expenses and include charges for items such as airport operating costs, reservation-related costs, credit card discount fees and facility rents. For each of these expense categories, the Company estimates United Express's portion of total expense and allocates the applicable portion of expense to the United Express carrier.

United has the right to exclusively operate and direct the operations of these aircraft and accordingly the minimum future lease payments for these aircraft are included in the Company's

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lease obligations. See Note 10, Segment Information and Note 15, Lease Obligations, for additional information related to United Express.

The Company recognizes revenue as flown on a net basis for flights on United Express covered by prorate agreements.

As of December 31, 2008, United has call options on 159 regional jet aircraft currently being operated by certain United Express carriers. At December 31, 2008, none of the call options were exercisable because none of the required conditions to make an option exercisable by the Company were met.

- (j) **Advertising** Advertising costs, which are included in other operating expenses, are expensed as incurred.
- (k) **Intangibles** Goodwill was determined to be completely impaired in 2008. Goodwill represented the excess of the reorganization value of the Successor Company over the fair value of net tangible assets and identifiable intangible assets and liabilities resulting from the application of SOP 90-7. Indefinite-lived intangible assets are not amortized but are reviewed for impairment annually or more frequently if events or circumstances indicate that the asset may be impaired. The Mileage Plus customer database is amortized on an accelerated basis utilizing cash flows correlating to the expected attrition rate of the Mileage Plus database. The other customer relationships, which are included in Contracts, are amortized in a manner consistent with the timing and amount of revenues that the Company expects to generate from these customer relationships. All other definite-lived intangible assets are amortized on a straight-line basis over the estimated lives of the related assets.

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the Company applies a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis as of October 1, or on an interim basis whenever a triggering event occurs. SFAS 142 requires that a two-step impairment test be performed on goodwill. In the first step, the Company compares the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds the carrying value of the net assets of the reporting unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the net assets of a reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step to determine the implied fair value of the goodwill and compare it to the carrying value of the goodwill. If the carrying value of goodwill exceeds its implied fair value, then the Company must record an impairment charge equal to such difference.

See Note 3, Asset Impairments and Intangible Assets, for additional information related to intangibles, including impairments recognized in 2008.

- (l) **Measurement of Impairments** In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144) and SFAS 142, the Company evaluates the carrying value of long-lived assets and intangible assets subject to amortization whenever events or changes in circumstances indicate that an impairment may exist. An impairment charge is recognized when the asset's carrying value exceeds its net undiscounted future cash flows and its fair market value. The amount of the charge is the difference between the asset's carrying value and fair market value. See Note 3, Asset Impairments and Intangible Assets, for information related to asset impairments recognized in 2008.
- (m) **Share-Based Compensation** Stock-based compensation is accounted for in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment* (SFAS 123R) effective January 1, 2006. SFAS 123R requires companies to measure the cost of employee services received in

exchange for an award of equity instruments based on the grant-date fair value of the award. The resulting cost is recognized over the period during which

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an employee is required to provide service in exchange for the award, usually the vesting period. See Note 7, Share-Based Compensation Plans, for additional information.

- (n) ***Ticket Taxes*** Certain governmental taxes are imposed on United's ticket sales through a fee included in ticket prices. United collects these fees and remits them to the appropriate government agency. These fees are recorded on a net basis (excluded from operating revenues).
- (o) ***Early Retirement of Leased Aircraft*** The Company accrues for the present value of future minimum lease payments, net of estimated sublease rentals (if any) in the period aircraft are removed from service. When reasonably estimable and probable, the Company estimates maintenance lease return condition obligations for items such as minimum aircraft and engine conditions specified in leases and accrues these amounts as contingent rent ratably over the lease term while the aircraft are operating, and any remaining unrecognized estimated obligations are accrued in the period an aircraft is removed from service. In addition, the Company accrues for an early termination lease penalty in the period that the Company executes an early return agreement with a lessor.
- (p) ***New Accounting Pronouncements*** In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (APB 14-1). APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. APB 14-1, which is applied retrospectively, is effective for the Company beginning January 1, 2009. The Company estimates that the fair value of the equity component of its two convertible debt instruments that may be cash settled was approximately \$250 million at the time of issuance of these instruments. This discount will be applied retrospectively to the Company's financial statements from the date of adoption of fresh-start reporting and amortized over the expected five-year life of the notes resulting in increased interest expense in historical and future periods.

In June 2008, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) issued EITF Issue 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*, (EITF 07-5) which is effective for the Company beginning January 1, 2009. EITF 07-5 provides additional guidance as to the phrase "indexed to an entity's own stock" for purposes of determining whether certain instruments or embedded features qualify for a scope exception in Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). The Company is still evaluating the impact, if any, that the adoption of EITF 07-5 will have on its results of operations and financial position based on its current financial instruments. The impact, if any, would be recorded as a cumulative adjustment to beginning retained earnings.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (EITF 03-6-1). EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation under the two-class method of calculating earnings per share. EITF 03-6-1, which will be applied retrospectively to the date of fresh-start reporting, is effective for the Company beginning January 1, 2009. The Company expects that the retrospective application of EITF 03-6-1 will result in increases in the basic shares outstanding used to compute basic earnings per share of approximately 1.4 million, 2.0 million and 2.7 million shares for the years ended December 31, 2008 and 2007 and eleven month period ended December 31, 2006, respectively. The Company does not expect that EITF 03-6-1 will change its previously reported diluted earnings per share.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 (SFAS 161). This Statement changes the disclosure requirements for

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derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for the Company for periods beginning January 1, 2009. The Company will incorporate the additional disclosures required under SFAS 161 into its future consolidated financial statements.

In February 2008, the FASB issued FSP No. 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). This FSP delayed the effective date of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until periods beginning January 1, 2009. The Company is currently evaluating the impact of SFAS 157 on the reporting and disclosure of its nonfinancial assets and nonfinancial liabilities.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS 141R). This statement replaces Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141). SFAS 141R retains the fundamental requirements in Statement No. 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. In addition, SFAS 141R provides new guidance intended to improve reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable and relevant information for users of financial statements. SFAS 141R is effective for the Company for any business combinations with an acquisition date on or after January 1, 2009. In accordance with the provisions of SFAS 141R that amended Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109), beginning January 1, 2009, the Company will be required to recognize any changes in the valuation allowance for deferred tax assets, which was established as part of fresh-start reporting, to be recognized as an adjustment to income tax expense. This reflects a change from current practice which requires changes in the valuation allowance to first reduce goodwill to zero and then to reduce intangible assets to zero.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (SFAS 160). This statement amends Accounting Research Bulletin 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for the noncontrolling interest (also known as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for the Company for periods beginning January 1, 2009. The Company does not expect the adoption of SFAS 160 to have a significant impact on its consolidated financial statements.

- (q) ***Income Tax Contingencies*** The Company has recorded reserves for income taxes and associated interest that may become payable in future years. Certain of these reserves are for uncertain income tax positions which are accounted for in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), effective January 1, 2007. Although management believes that its positions taken on income tax matters are reasonable, the Company nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge certain of the positions taken by the Company, potentially resulting in additional liabilities for taxes and interest. The Company's tax contingency reserves are reviewed periodically and are adjusted as events occur that affect its estimates, such as the availability of new information, the lapsing of applicable statutes of limitations, the conclusion of tax audits, the measurement of additional estimated liability, the identification of new tax contingencies, the release of administrative tax guidance affecting its estimates of tax liabilities,

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or the rendering of relevant court decisions. See Note 8, *Income Taxes*, for further information related to uncertain income tax positions and the adoption of FIN 48.

(2) Company Operational Plans

The volatility of and increases in crude oil prices, a weakening economic environment and a highly competitive industry with excess capacity have created an extremely challenging environment for the Company. The Company's cash flows and results of operations have been adversely impacted by these factors as indicated by its net loss of \$5.3 billion during the year ended December 31, 2008. The Company's results in 2008 include asset impairment charges of approximately \$2.6 billion that resulted primarily from unfavorable market and economic conditions as discussed in Note 3, *Asset Impairments and Intangible Assets*. These factors have had a significant negative impact on the Company's liquidity as unrestricted cash and short-term investments decreased by \$1.5 billion in 2008 to \$2.0 billion at December 31, 2008. In addition, the Company may not be able to improve its liquidity position with cash from operations in 2009 because of lower demand for air travel during 2009 and a weak global economy. The Company is implementing certain operational plans to address its increased operating costs and its liquidity needs in 2009. In addition, the Company continues to evaluate the most cost-effective alternatives to raise additional capital, including asset sales and financings. Highlights of the Company's operational plans and financings include the following:

The Company is significantly reducing mainline domestic and consolidated capacity. Fourth quarter 2008 mainline domestic and consolidated capacity were down approximately 14% and 11% year-over-year, respectively. The Company is planning to further decrease mainline domestic and consolidated capacity in 2009.

The capacity reductions are being made through reductions in frequencies of routes and the elimination of unprofitable routes. These actions have resulted in the closure of a small number of airport operations where United cannot operate profitably in the current economic environment. Additional airport operations may be closed in future periods.

The Company has announced plans to permanently remove 100 aircraft from its mainline fleet, including its entire B737 fleet and six B747 aircraft, by the end of 2009. The B737 aircraft being retired are some of the oldest and least fuel efficient in the Company's fleet. This planned reduction reflects the Company's efforts to eliminate unprofitable capacity and divest the Company of assets that currently do not provide an acceptable return.

United is eliminating its Ted product for leisure markets and will reconfigure that fleet's 56 A320s to include United First seating. The reconfiguration of the Ted aircraft will occur in stages, with expected completion by year-end 2009. We will continue to review the deployment of all of our aircraft in various markets and the overall composition of our fleet to ensure that we are using our assets appropriately to provide the best available return.

In connection with the capacity reductions, the Company is further streamlining its operations and corporate functions in order to reduce the size of its workforce to match the size of its operations.

The Company also recently entered into an alliance partnership with Continental Airlines that is expected to create revenue enhancements, costs savings and operational efficiencies.

The Company is managing its liquidity by investing only in those projects that are considered high-value, such as the international premium product. The Company has \$0.2 billion of binding commitments for the purchase

of property in 2009 and \$0.8 billion of long-term debt obligations in 2009.

As of December 31, 2008, the Company has 62 unencumbered aircraft and other assets that may be used as collateral to obtain additional financing. The Company could also sell certain of these assets to generate liquidity.

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As discussed in Note 23, Subsequent Events, in January 2009, the Company completed several financing-related transactions which generated approximately \$315 million of proceeds.

The following is a discussion of expenses associated with implementing the Company's plans. In addition, see Note 3, Asset Impairments and Intangible Assets, for a discussion of the impairment charges recorded during the year ended December 31, 2008.

Severance. During 2008, the Company reduced its workforce in operations and corporate functions through attrition and both voluntary and involuntary furloughs. The Company is streamlining its workforce to match the reduced capacity of its operations. The Company reduced its workforce in 2008 and plans to further reduce its workforce in 2009. Workforce reductions include salaried and management positions and certain of the Company's unionized workforce. The Company's standard severance policies provide the affected employees with salary continuation as well as certain insurance benefits for a specified period of time. The Company recognizes its severance obligations in accordance with Statement of Financial Accounting Standards No. 112 (As Amended), *Employers' Accounting for Postemployment Benefits* an amendment of FASB Statements No. 5 and 43, except for voluntary programs which are accounted for under Statement of Financial Accounting Standards No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*.

The following is a reconciliation of the Company's severance accrual activity:

(In millions)

Balance at January 1, 2008	\$	
Accruals		106
Payments		(25)
Balance at December 31, 2008	\$	81

In addition to involuntary furloughs, the Company is currently offering furlough-mitigation programs, such as voluntary early-out options, primarily to certain union groups. Termination benefits expected to be paid under such voluntary programs are not recognized until the employees accept the termination benefit offer. Therefore, as the Company continues to implement its reductions in force during 2009, additional severance costs may be incurred. Severance expense is classified within salaries and related costs in the Company's *Statements of Consolidated Operations*. Severance charges are expected to be primarily within the mainline segment where the fleet reductions will occur.

Aircraft. The following table provides additional information regarding UAL and United aircraft including the impacts of the fleet reductions discussed above.

	B737s (Mainline)			All Other Mainline			Total Mainline	Regional Affiliates	Total
	Owned	Leased	Total	Owned	Leased	Total			
Operating: Aircraft at December 31, 2007 (a)	47 (29)	47 (19)	94 (48)	208 (3)	158	366 (3)	460 (51)	279 1	739 (50)

Added (removed) from operating fleet									
Converted from owned to leased (b)				(24)	24				
Converted from leased to owned (c)				10	(10)				
Aircraft at December 31, 2008 (d)	18	28	46	191	172	363	409	280	689
Removed from operating fleet in 2008 (e)	29	19	48	3		3	51		51
Sold/returned to lessor during 2008	(5)	(7)	(12)				(12)		(12)
Nonoperating at December 31, 2008 (a) (e)	24	12	36	3		3	39		39

- (a) At December 31, 2007, the Company had 113 unencumbered aircraft. In 2007, United leased one operating aircraft from UAL and therefore had one less owned B737 aircraft and one more leased aircraft as compared to UAL's fleet. This particular aircraft became nonoperational in 2008; therefore, United has one less nonoperating owned B737 aircraft and one more leased aircraft as compared to UAL's fleet at December 31, 2008.

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- (b) During 2008, the Company sold 24 aircraft and leased them back. See Note 15, Lease Obligations, for additional information related to these sale-leaseback transactions.
- (c) During 2008, the Company acquired certain aircraft under existing lease terms.
- (d) At December 31, 2008, United's operating fleet was the same as UAL's fleet and included 62 unencumbered aircraft. The unencumbered aircraft at December 31, 2008 exclude nine aircraft which became encumbered with the December 2008 signing of a binding sale-leaseback agreement that closed in January 2009. See Note 12, Debt Obligations and Card Processing Agreements, and Note 23, Subsequent Events, for additional information.
- (e) As of December 31, 2008, the owned nonoperating aircraft and engines are classified as Other non-current assets in the Company's *Statements of Consolidated Financial Position*. These aircraft are not classified as assets held for sale because the assets may not be sold within one year. As a result of the impairment testing discussed in Note 3, Asset Impairments and Intangible Assets, these assets have been recorded at their net realizable value of \$198 million at December 31, 2008.

During 2008, the Company expensed \$24 million related to the retirement of leased aircraft, of which \$16 million remained accrued and unpaid at December 31, 2008. These amounts consist of the present value of future lease payments for aircraft that have been removed from service in advance of their lease termination dates as of December 31, 2008, estimated payments for lease return maintenance conditions related to B737 aircraft and the write-off of fresh-start lease fair value adjustments. Periodic lease payments will be made over the lease terms of these aircraft unless early return agreements are reached with the lessors; and, lease return maintenance condition payments, if any, will be made upon return of the aircraft to the lessors. The total expected payments for leased aircraft that were grounded at December 31, 2008 and that are expected to be grounded in 2009 are \$132 million, payable through 2013. These estimated payments are future lease payments and estimated lease maintenance return condition payments. Actual lease payments may be less if the Company is able to negotiate early termination of any of its leases.

Other costs. As the Company continues to implement the operational plans discussed above, it may incur additional costs related to its conversion of the Company's fleet of Ted aircraft, costs to exit additional facilities such as airports no longer served, lease termination costs, additional severance costs and asset impairment charges, among others. Such future costs and charges may be material.

(3) *Asset Impairments and Intangible Assets***Asset Impairments**

In accordance with SFAS 142 and SFAS 144, as of May 31, 2008 the Company performed an interim impairment test of its goodwill, all intangible assets and certain of its long-lived assets (principally aircraft and related spare engines and spare parts) due to events and changes in circumstances that indicated an impairment might have occurred. In addition, the Company also performed an interim impairment test on certain of its aircraft fleet types as of December 31, 2008 due to management's determination that unfavorable market conditions indicated potential impairment of value. Factors deemed by management to have collectively constituted an impairment triggering event included record high fuel prices, significant losses in the first and second quarters of 2008, a softening U.S. economy, analyst downgrade of UAL common stock, rating agency changes in outlook for the Company's debt instruments from stable to negative, the announcement of the planned removal from UAL's fleet of 100 aircraft in 2008 and 2009 and a significant decrease in the fair value of UAL's outstanding equity and debt securities during the first five months of 2008, including a decline in UAL's market capitalization to significantly below book value. The Company's consolidated fuel expense increased by more than 50% during this period.

As a result of this impairment testing, for which certain estimates made in the second quarter of 2008 were adjusted to final values in the third quarter of 2008, the Company recorded impairment charges during the year ended December 31, 2008, as presented in the table below. All of these impairment charges are within the mainline segment. All of the impairments other than the goodwill impairment, which is separately identified, are classified within Other impairments and special items in the Company's *Statements of Consolidated Operations*.

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(In millions)	Year Ended December 31, 2008	
Goodwill impairment	\$	2,277
Indefinite-lived intangible assets:		
Codeshare agreements		44
Tradenames		20
Intangible asset impairments		64
Tangible assets:		
Pre-delivery advance deposits including related capitalized interest		105
B737 aircraft, B737 spare parts and other		145
Aircraft and related deposit impairments		250
Total impairments	\$	2,591

Goodwill

For purposes of testing goodwill, the Company performed Step One of the SFAS 142 test by estimating the fair value of the mainline reporting unit (to which all goodwill is allocated) utilizing several fair value measurement techniques, including two market estimates and one income estimate and using relevant data available through and as of May 31, 2008. The market approach is a valuation technique in which fair value is estimated based on observed prices in actual transactions and on asking prices for similar assets. The valuation process is essentially that of comparison and correlation between the subject asset and other similar assets. The income approach is a technique in which fair value is estimated based on the cash flows that an asset could be expected to generate over its useful life, including residual value cash flows. These cash flows are discounted to their present value equivalents using a rate of return that accounts for the relative risk of not realizing the estimated annual cash flows and for the time value of money. Variations of the income approach were used to determine certain of the intangible asset fair values.

Under the market approaches, the fair value of the mainline reporting unit was estimated based upon the fair value of invested capital for UAL, as well as a separate comparison to revenue and EBITDAR multiples for similar publicly traded companies in the airline industry. The fair value estimates using both market approaches included a control premium similar to those observed for historical airline and transportation company market transactions.

Under the income approach, the fair value of the mainline reporting unit was estimated based upon the present value of estimated future cash flows for UAL. The income approach is dependent on a number of critical management assumptions including estimates of future capacity, passenger yield, traffic, operating costs (including fuel prices), appropriate discount rates and other relevant assumptions. The Company estimated its future fuel-related cash flows for the income approach based on the five-year forward curve for crude oil as of May 31, 2008. The impacts of the Company's aircraft and other tangible and intangible asset impairments were considered in the fair value estimation of the mainline reporting unit.

Taking into consideration an equal weighting of the two market estimates and the income estimate, which has been the Company's practice when performing annual goodwill impairment tests, the indicated fair value of the mainline reporting unit was less than its carrying value, and therefore, the Company was required to perform Step Two of the

SFAS 142 goodwill impairment test.

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In Step Two of the impairment test, the Company determined the implied fair value of goodwill of the mainline reporting unit by allocating the fair value of the reporting unit determined in Step One to all the assets and liabilities of the mainline reporting unit, including any recognized and unrecognized intangible assets, as if the mainline reporting unit had been acquired in a business combination and the fair value of the mainline reporting unit was the acquisition price. As a result of the Step Two testing, the Company determined that goodwill was completely impaired and therefore recorded an impairment charge during the second quarter of 2008 to write-off the full value of goodwill.

Indefinite-lived intangible assets

2008 Interim Impairment Test

The Company utilized appropriate valuation techniques to separately estimate the fair values of all of its indefinite-lived intangible assets as of May 31, 2008 and compared those estimates to related carrying values. Tested assets included tradenames, international route authorities, London Heathrow slots and codesharing agreements. The Company used a market or income valuation approach, as described above, to estimate fair values. Based on the results of this testing, the Company recorded a \$64 million impairment charge to indefinite-lived intangible assets for the year ended December 31, 2008.

Annual Impairment Tests

United performed annual impairment reviews of its indefinite-lived intangible assets as of October 1, 2008 and 2007 and of its goodwill as of October 1, 2007 and determined that no impairment was indicated.

Long-lived assets

For purposes of testing impairment of long-lived assets at May 31, 2008, the Company determined whether the carrying amount of its long-lived assets was recoverable by comparing the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. If the carrying value of the assets exceeded the expected cash flows, the Company estimated the fair value of these assets to determine whether an impairment existed. The Company grouped its aircraft by fleet type to perform this evaluation and used data and assumptions through May 31, 2008. The estimated undiscounted cash flows were dependent on a number of critical management assumptions including estimates of future capacity, passenger yield, traffic, operating costs (including fuel prices) and other relevant assumptions. If estimates of fair value were required, fair value was estimated using the market approach. Asset appraisals, published aircraft pricing guides and recent transactions for similar aircraft were considered by the Company in its market value determination. Based on the results of these tests, the Company determined that an impairment of \$38 million existed which was attributable to the Company's fleet of owned B737 aircraft and related spare parts. In addition, as of December 31, 2008, the Company performed an impairment test of its B737 aircraft. Based on this analysis, the Company recorded an additional charge of \$107 million to reduce the carrying value of the B737 aircraft. As described in Note 2, Company Operational Plans, the Company is retiring its entire B737 fleet earlier than originally planned.

Due to the unfavorable economic and industry factors described above, the Company also determined in the second quarter of 2008 that it was required to perform an impairment test of its \$105 million of pre-delivery aircraft deposits and related capitalized interest. The Company determined that these aircraft deposits were completely impaired and wrote off their full carrying value. The Company believes that it is highly unlikely that it will take these future aircraft deliveries and, therefore, the Company will be required to forfeit the deposits, which are also not transferable.

As a result of the impairment testing described above, the Company's goodwill and certain of its indefinite-lived intangible assets and tangible assets were recorded at fair value. In accordance with FSP 157-2, the Company has not

applied SFAS 157 to the determination of the fair value of these assets.

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However, the provisions of SFAS 157 were applied to the determination of the fair value of financial assets and financial liabilities that were part of the SFAS 142 Step Two goodwill fair value determination.

The carrying value of the Company's intangible assets or tangible long-lived assets as of December 31, 2008 may decrease in future periods as a result of factors such as decreased demand for aircraft, decreases in revenues, fuel price volatility and adverse economic conditions, among others.

Intangibles

The following table presents information about the intangible assets, including goodwill, at December 31, 2008 and 2007, respectively:

<u>(Dollars in millions)</u>	Weighted Average Life of Assets (in years)	2008		2007	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets					
Airport slots and gates	9	\$ 72	\$ 30	\$ 72	\$ 22
Hubs	20	145	22	145	14
Patents	3	70	68	70	45
Mileage Plus database	7	521	179	521	137
Contracts	13	140	35	216	101
Other	7	13	5	18	5
	10	\$ 961	\$ 339	\$ 1,042	\$ 324
Unamortized intangible assets					
Goodwill		\$		\$ 2,280	
Airport slots and gates		237		255	
Route authorities		1,146		1,146	
Tradenames		688		752	
		\$ 2,071		\$ 4,433	

During 2008, the Company wrote off its entire goodwill balance as discussed above. The Company initially recorded goodwill of \$2,756 million upon its exit from bankruptcy. Unamortized intangible assets, other than goodwill, decreased by \$82 million during 2008 as a result of a \$64 million impairment of codeshare agreements and the Company's tradenames and an \$18 million decrease in airport slots and gates related to the sale of assets. During the year ended December 31, 2007, goodwill decreased by \$423 million due to a \$414 million reduction of the valuation allowance for the deferred tax assets established at fresh-start, \$6 million due to the adoption of FIN 48 and \$3 million due to a change in estimate of tax accruals existing at the Effective Date.

Total amortization expense recognized was \$92 million and \$155 million for the years ended December 31, 2008 and 2007, \$169 million for the eleven month period ended December 31, 2006 and \$1 million for the one month period

ended January 31, 2006. The Company expects to record amortization expense of \$69 million, \$63 million, \$58 million, \$55 million and \$52 million for 2009, 2010, 2011, 2012 and 2013, respectively.

(4) Voluntary Reorganization Under Chapter 11

Bankruptcy Considerations. The following discussion provides general background information regarding the Company's Chapter 11 cases and is not intended to be an exhaustive summary.

On December 9, 2002 (the "Petition Date"), UAL, United and 26 direct and indirect wholly-owned subsidiaries (collectively, the "Debtors") filed voluntary petitions to reorganize their businesses under

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Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the Bankruptcy Court). On January 20, 2006, the Bankruptcy Court confirmed the Debtors Second Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the United States Bankruptcy Code (the Plan of Reorganization). The Plan of Reorganization became effective and the Debtors emerged from bankruptcy protection on February 1, 2006 (the Effective Date). Pursuant to the Plan of Reorganization, UAL issued new debt and equity securities to certain of its creditors. On the Effective Date, the Company implemented fresh-start reporting.

Significant Bankruptcy Matters Resolved in 2008. During 2008, the San Francisco International Airport (SFO) municipal bond secured interest matter was resolved. HSBC Bank Inc. (HSBC), as trustee for the 1997 municipal bonds related to SFO, had filed a complaint against United asserting a security interest in United's leasehold for portions of its maintenance base at SFO. HSBC alleged that it was entitled to be paid the value of that security interest, which HSBC had once claimed was as much as \$257 million. HSBC and United went to trial in April 2006 and the Bankruptcy Court rejected as a matter of law HSBC's \$257 million claim. HSBC subsequently alleged that it was entitled to \$154 million, or at a minimum, approximately \$93 million. The parties tried the case and filed post-trial briefs which were heard by the Bankruptcy Court. In October 2006, the Bankruptcy Court issued its written opinion holding that the value of the security interest is approximately \$27 million. United has accrued this amount as its estimated obligation at December 31, 2008. During 2008, HSBC withdrew its appeal to the Seventh Circuit Court of Appeals of the District Court's affirmance of the October 2006 Bankruptcy Court ruling. The matter is now final and United expects to pay the amount due to HSBC in 2009.

Significant Matters Remaining to be Resolved in Chapter 11 Cases. There is pending litigation before the Bankruptcy Court regarding the extent to which the Los Angeles International Airport (LAX) municipal bond debt is entitled to secured status under Section 506(a) of the Bankruptcy Code. At December 31, 2006, United had accrued \$60 million for this matter. Trial on this matter occurred during April 2007 and the two parties filed post-trial briefs in the second quarter of 2007. In August 2007, the Bankruptcy Court issued its written opinion holding that the value of the security interest is approximately \$33 million, which United had accrued at December 31, 2007 and 2008. The District Court affirmed the Bankruptcy Court's rulings and the trustee for the bondholders has appealed the matter to the Seventh Circuit Court of Appeals, which is pending. See *Claims Resolution Process*, below, for details of special items recognized in the *Statements of Consolidated Operations* for the SFO and LAX matters.

Claims Resolution Process. As permitted under the bankruptcy process, the Debtors' creditors filed proofs of claim with the Bankruptcy Court. Through the claims resolution process, the Company identified many claims which were disallowed by the Bankruptcy Court for a number of reasons, such as claims that were duplicative, amended or superseded by later filed claims, were without merit, or were otherwise overstated. Throughout the Chapter 11 proceedings, the Company resolved many claims through settlement or objections ordered by the Bankruptcy Court. The Company will continue to settle claims and file additional objections with the Bankruptcy Court.

With respect to unsecured claims, once a claim is deemed to be valid, either through the Bankruptcy Court process or through other means, the claimant is entitled to a distribution of common stock in UAL. Pursuant to the terms of the Plan of Reorganization, 115 million shares of common stock in UAL have been authorized to be issued to satisfy valid unsecured claims. The Bankruptcy Court confirmed the Plan of Reorganization and established January 20, 2006 as the record date for purposes of establishing the persons that are claimholders of record to receive distributions. Approximately 113 million common shares have been issued and distributed to holders of valid unsecured claims between February 2, 2006, the first distribution date established in the Plan of Reorganization, and December 31, 2008. As of December 31, 2008, approximately 46,000 valid unsecured claims aggregating to approximately \$29.3 billion in claim value had received those common shares to satisfy those claims. There are 2.0 million remaining shares of UAL common stock held in reserve to satisfy all of the remaining disputed and undisputed unsecured claim values, once the remaining claim disputes are

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resolved. The final distributions of shares will not occur until 2009 or later, pending resolution of bankruptcy matters.

The Company's current estimate of the probable range of unsecured claims to be allowed by the Bankruptcy Court is between \$29.3 billion and \$29.6 billion. Differences between claim amounts filed and the Company's estimates continue to be investigated and will be resolved in connection with the claims resolution process. However, there will be no further financial impact to the Company associated with the settlement of such unsecured claims, as the holders of all allowed unsecured claims will receive under the Plan of Reorganization no more than their pro rata share of the distribution of the 115 million shares of common stock of UAL, together with the previously-agreed issuance of certain securities.

With respect to valid administrative and priority claims, pursuant to the terms of the Plan of Reorganization these claims have been or will be satisfied with cash. Many asserted administrative and priority claims still remain unpaid and the Company will continue to settle claims and file objections with the Bankruptcy Court to eliminate or reduce such claims. In addition, certain disputes, the most significant of which is discussed in *Significant Matters Remaining to be Resolved in Chapter 11 Cases*, above, still remain with respect to the valuation of certain claims. The Company accrued an obligation for claims it believed were reasonably estimable and probable at the Effective Date. However, the claims resolution process is uncertain and adjustments to claims estimates could result in material adjustments to the Successor Company's financial statements in future periods as a result of court rulings, the receipt of new or revised information or the finalization of these matters. In accordance with AICPA Practice Bulletin 11, *Accounting for Preconfirmation Contingencies in Fresh-Start Reporting*, (Practice Bulletin 11), the Company has recorded the impact of revisions to these estimates in current results of operations.

The table below includes activity related to the administrative and priority claims and other bankruptcy-related claim reserves including reserves related to legal, professional and tax matters, among others, for the Successor Company for the years ended December 31, 2008 and 2007 and the eleven months ended December 31, 2006, respectively. These reserves are primarily classified in other current liabilities in the *Statements of Consolidated Financial Position*. Certain of the accrual adjustments identified below are a direct result of the Company's ongoing efforts to resolve certain bankruptcy pre-confirmation contingencies and do not relate directly to the Company's ongoing performance; therefore, the Company considers these adjustments to be special.

(In millions)	2008	2007	2006
Balance at January 1, 2008 and 2007 and February 1, 2006	\$ 98	\$ 325	\$ 583
Payments	(7)	(83)	(193)
Accruals reclassified		(31)	(a)
Adjustments impacting income:			
Accrual adjustments classified as special revenue credits		(45)	(b)
Other changes in contingent liabilities classified as revenues		(26)	(c)
Accrual adjustments classified as special expense credits		(30)	(36)(d)
Accrual adjustments classified as other operating expense (credit)	5	(12)	(29)(e)
Total adjustments impacting income	5	(113)	(65)
Balance at December 31, 2008, 2007 and 2006	\$ 96	\$ 98	\$ 325
Total charge (credit) to operating income during period from above items	\$ 5	\$ (113)	\$ (65)
Additional special operating expense credit		(14)	(f)
Total operating income charge (benefit)	\$ 5	\$ (127)	\$ (65)

- (a) These accruals were deemed to be no longer directly related to bankruptcy proceedings; therefore, the accruals were reclassified to non-bankruptcy accruals.
- (b) In the third quarter of 2007, the Company recorded a change in estimate for certain liabilities relating to bankruptcy administrative claims. This adjustment resulted directly from the progression of the Company's ongoing efforts to resolve

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certain bankruptcy pre-confirmation contingencies; therefore, it was classified as a special operating revenue credit of \$45 million that relates to both mainline passenger revenues (\$37 million) and Regional affiliates revenues (\$8 million).

- (c) The Company separately recorded a \$26 million benefit from a change in estimate to certain other contingent liabilities based largely on changes in underlying facts and circumstances occurring during the third quarter of 2007. This benefit was recorded as a credit to mainline passenger revenues of \$22 million and to Regional affiliates revenues of \$4 million.
- (d) The 2007 amount relates to special operating expense credits of \$30 million relating to ongoing litigation for San Francisco and Los Angeles facility lease secured interests as discussed above. For 2006, the \$36 million benefit consists of a \$12 million net benefit related to SFO and LAX lease litigation and a \$24 million benefit related to pension matters, as discussed in Note 19, Special Items.
- (e) This amount relates to accrual adjustments impacting various operating expense line items that the Company recorded due to a change in estimate for certain liabilities relating to bankruptcy administrative claims. These adjustments resulted directly from the progression of the Company's ongoing efforts to resolve certain bankruptcy pre-confirmation contingencies.
- (f) This amount relates to an accrual adjustment that the Company recorded due to a change in estimate for certain liabilities relating to bankruptcy administrative claims. This adjustment, which was recorded as a credit to other operating expense, resulted directly from the progression of the Company's ongoing efforts to resolve certain bankruptcy pre-confirmation contingencies.

Financial Statement Presentation. SOP 90-7 requires that the financial statements for periods after a Chapter 11 filing separate transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, all transactions (including, but not limited to, all professional fees, realized gains and losses and provisions for losses) directly associated with the reorganization and restructuring of the business are reported separately in the financial statements as reorganization items, net. For the month ended January 31, 2006, the Predecessor Company recognized the following primarily non-cash reorganization income (expense) in its financial statements:

(In millions)	Period from January 1 to January 31, 2006	
	UAL	United
Discharge of claims and liabilities	\$ 24,628	\$ 24,389 (a)
Revaluation of frequent flyer obligations	(2,399)	(2,399) (b)
Revaluation of other assets and liabilities	2,106	2,111 (c)
Employee-related charges	(898)	(898) (d)
Contract rejection charges	(429)	(421) (e)
Professional fees	(47)	(47)
Pension-related charges	(14)	(14)
Other	(13)	(12)
	\$ 22,934	\$ 22,709

- (a) The discharge of claims and liabilities primarily relates to those unsecured claims arising during the bankruptcy process, such as those arising from the termination and settlement of the Company's U.S. defined benefit pension plans and other employee claims; aircraft-related claims, such as those arising as a result of aircraft rejections; other unsecured claims due to the rejection or modification of executory contracts, unexpired leases and regional carrier contracts; and claims associated with certain municipal bond obligations based upon their rejection, settlement or the estimated impact of the outcome of pending litigation. In accordance with the Plan of Reorganization, the Company discharged its obligations to unsecured creditors in exchange for the distribution of 115 million common shares of UAL and the issuance of certain other UAL securities. Accordingly, UAL and United recognized a non-cash reorganization gain of \$24.6 billion and \$24.4 billion, respectively.
- (b) The Company revalued its Mileage Plus Frequent Flyer Program (Mileage Plus) obligations at fair value as a result of fresh-start reporting, which resulted in a \$2.4 billion non-cash reorganization charge.
- (c) In accordance with fresh-start reporting, the Company revalued its assets at their estimated fair value and liabilities at estimated fair value or the present value of amounts to be paid. This resulted in a non-cash reorganization gain of \$2.1 billion, primarily as a result of newly recognized intangible assets, offset partly by reductions in the fair value of tangible property and equipment.
- (d) In exchange for employees' contributions to the successful reorganization of the Company, including agreeing to reductions in pay and benefits, the Company agreed in the Plan of Reorganization to provide each employee group a deemed claim which was used to provide a distribution of a portion of the equity of the reorganized entity to those employees. Each

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employee group received a deemed claim amount based upon a portion of the value of cost savings provided by that group through reductions to pay and benefits as well as through certain work rule changes. The total value of this deemed claim was approximately \$7.4 billion. As of December 31, 2005, the Company recorded a non-cash reorganization charge of \$6.5 billion for the deemed claim amount for all union-represented employees. The remaining \$0.9 billion associated with non-represented salaried and management employees was recorded as a reorganization charge in January 2006, upon confirmation of the Plan of Reorganization.

- (e) Contract rejection charges are non-cash costs that include estimated claim values resulting from the Company's rejection or negotiated modification of certain contractual obligations such as executory contracts, unexpired leases and regional carrier contracts.

(5) Common Stockholders' Equity and Preferred Securities

As a result of the Plan of Reorganization becoming effective on February 1, 2006, the then-outstanding equity securities as well as the shares held in treasury of Predecessor UAL were canceled. New UAL common stock began trading on the NASDAQ market on February 2, 2006 under the symbol UAU. In accordance with the Plan of Reorganization, UAL established the equity structure in the table below upon emergence and, on February 2, 2006, began distributing portions of the shares of new common stock to certain general unsecured creditors and employees and certain management employees and non-employee directors.

Party of Interest	Shares of UAL Common Stock
General unsecured creditors and employees	115,000,000
Management equity incentive plan (MEIP)	9,825,000
Director equity incentive plan (DEIP)	175,000
	125,000,000

Changes in the number of shares of UAL common stock outstanding during the years ended December 31, 2008 and 2007, the eleven month period ended December 31, 2006 and the one month period ended January 31, 2006 were as follows:

UAL	Successor		Period from February 1 to December 31, 2006	Predecessor Period from January 1 to January 31, 2006
	Year Ended December 31, 2008	2007		
Shares outstanding at beginning of period	116,921,049	112,280,629	116,220,959	116,220,959
Cancellation of Predecessor UAL stock			(116,220,959)	
Issuance of UAL stock under equity offering	11,208,438			
Issuance of UAL stock upon conversion of preferred stock	11,145,812			

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Issuance of UAL stock to creditors	765,780	3,849,389	108,347,814	
Issuance of UAL stock to employees	418,664	1,155,582	4,240,526	
Issuance of UAL stock to directors			100,000	
Forfeiture of non-vested UAL stock	(110,926)	(104,733)	(270,934)	
Shares acquired for treasury	(310,889)	(259,818)	(136,777)	
Shares outstanding at end of period	140,037,928	116,921,049	112,280,629	116,220,959
Treasury shares at beginning of period	396,595	136,777		
Shares acquired for treasury	310,889	259,818	136,777	
Treasury shares at end of period	707,484	396,595	136,777	

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At December 31, 2008, 2.0 million of the initial 115 million shares authorized remain to be distributed to employees and holders of previously allowed claims and disputed claims that are pending final resolution. All treasury shares were acquired either for tax withholding obligations related to UAL's share-based compensation plan or as consideration under an employment agreement. See Note 7, "Share-Based Compensation Plans" for additional information related to the remaining grants available to be awarded under the UAL's share-based compensation plans and outstanding option awards, neither of which are included in outstanding shares above.

UAL is authorized to issue 250 million shares of preferred stock (without par value). UAL was also authorized to issue two shares of junior preferred stock (par value \$0.01 per share) which were issued in 2006 and remained outstanding at December 31, 2008.

UAL issued 5 million shares of 2% convertible preferred stock to the PBGC on the Effective Date. The shares were issued at a liquidation value of \$100 per share, convertible at any time following the second anniversary of the issuance date into common stock of UAL at an initial conversion price of \$46.86 per common share; with dividends payable in kind semi-annually (in the form of increases to the liquidation value of the issued and outstanding shares). The preferred stock ranked pari passu with all current and future UAL or United preferred stock and was redeemable at any time at the then-current liquidation value (plus accrued and unpaid dividends) at the option of the issuer. At December 31, 2007, 5 million shares of UAL 2% convertible preferred stock were outstanding with an aggregate liquidation value of \$519 million, which included \$19 million of accrued and paid in kind dividends. The preferred stock had been pushed down to United and was reflected on United's books as part of fresh-start reporting. At December 31, 2007, the carrying value of the 2% convertible preferred stock was \$371 million, which included the \$19 million of accrued and paid in kind dividends.

As reflected in the table above, 11.1 million shares of UAL common stock were issued upon preferred stockholders elections to exercise their conversion option of all 5 million shares of 2% mandatorily convertible preferred stock during 2008. As a result of these conversions, there are currently no outstanding shares of 2% convertible preferred stock and this class of stock was retired in October 2008. The Company increased additional paid in capital by \$374 million and decreased the mandatorily convertible preferred stock by the same amount to record the impact of these conversions.

In addition, as indicated in the table above, during 2008 the Company issued 11.2 million shares of common stock as part of a \$200 million equity offering generating net proceeds of \$122 million, of which \$107 million was received in 2008 and \$15 million was received in January 2009 upon settlement of shares sold during the last three days of 2008. In January 2009, an additional 4.0 million shares were issued generating net proceeds of \$47 million. After the January 2009 issuances, the Company had issued shares for gross proceeds of \$172 million leaving \$28 million of remaining capacity available to issue additional shares in 2009.

(6) UAL Per Share Amounts

In accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*, basic per share amounts were computed by dividing earnings (loss) available to common stockholders by the weighted-average number of shares of UAL common stock outstanding. Approximately 2.0 million, 2.8 million and 6.7 million UAL shares remaining to be issued to unsecured creditors and employees under the Plan of Reorganization are included in outstanding basic shares for 2008, 2007 and the eleven month period ended December 31, 2006, respectively, as the necessary conditions for issuance have been satisfied. UAL's \$546 million of 6% senior notes are callable at any time at 100% of par value, and can be redeemed with either cash or UAL common stock at UAL's option. These notes are not included in the diluted earnings per share calculation, as it is UAL's intent to redeem these notes with cash. In January 2009, the Company issued additional common shares as discussed in Note 5, "Common Stockholders' Equity and Preferred Securities," above. The table below represents the reconciliation of the basic earnings (loss) per share to

diluted earnings (loss) per share.

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(In millions, except per share) UAL	Successor		Period	Predecessor
	Year Ended December 31, 2008	Year Ended December 31, 2007	from February 1 to December 31, 2006	Period from January 1 to January 31, 2006
Basic earnings per share:				
Net income (loss)	\$ (5,348)	\$ 403	\$ 25	\$ 22,851
Preferred stock dividend requirements	(3)	(10)	(9)	(1)
Earnings (loss) available to common stockholders	\$ (5,351)	\$ 393	\$ 16	\$ 22,850
Basic weighted-average shares outstanding	126.8	117.4	115.5	116.2
Earnings (loss) per share, basic	\$ (42.21)	\$ 3.34	\$ 0.14	\$ 196.61
Diluted earnings per share:				
Earnings (loss) available to common stockholders	\$ (5,351)	\$ 393	\$ 16	\$ 22,850
Effect of 2% preferred securities		10		
Effect of 4.5% senior limited-subordination convertible notes		20		
Effect of 5% convertible notes		5		
Earnings available to common stockholders including the effect of dilutive securities	\$ (5,351)	\$ 428	\$ 16	\$ 22,850
Basic weighted-average shares outstanding	126.8	117.4	115.5	116.2
Effect of non-vested stock options		0.2		
Effect of non-vested restricted shares		1.1	0.7	
Effect of 2% preferred securities		11.0		
Effect of 4.5% senior limited-subordination convertible notes		20.8		
Effect of 5% convertible notes		3.2		
Diluted weighted-average shares outstanding	126.8	153.7	116.2	116.2
Earnings (loss) per share, diluted	\$ (42.21)	\$ 2.79	\$ 0.14	\$ 196.61
<i>Potentially dilutive shares excluded from diluted per share amounts:</i>				
Stock options	4.4	4.0	5.0	9.0
Restricted shares	1.4	0.9	2.0	
2% preferred securities	3.1		10.8	
4.5% senior limited-subordination convertible notes	22.2		20.8	
5% convertible notes	3.4		3.2	
	34.5	4.9	41.8	9.0

(7) Share-Based Compensation Plans

Compensation expense associated with the UAL share-based compensation plans has been pushed down to United.

Predecessor Company As of January 31, 2006, a total of nine million stock options were outstanding. Under the Company's Plan of Reorganization, these stock options were canceled on the Effective Date. No material share-based compensation expense was incurred as a result of these outstanding options for the month of January 2006.

Successor Company The following table summarizes the number of awards authorized, issued and available for future grants under the Company's share-based compensation plans for management employees and directors as of December 31, 2008:

	Employees	Directors	Total
Authorized	8,339,284	175,000	8,514,284
Granted	(633,750)	(113,111)	(746,861)
Canceled awards available for reissuance	336,365		336,365
Available for future grants	8,041,899	61,889	8,103,788

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The following table provides information related to our share-based compensation plans.

(In millions)	Year Ended		Period from
	December 31, 2008	December 31, 2007	February 1 to December 31, 2006
Compensation cost:			
Management plan restricted stock	\$ 18	\$ 25	\$ 84
Management plan stock options	13	24	72
DEIP unrestricted stock			3
Total compensation cost	\$ 31	\$ 49	\$ 159

The unrecognized compensation cost related to unvested awards at December 31, 2008 and 2007 was \$18 million and \$41 million, respectively, which is expected to be recognized over a weighted-average period of 1.6 and 2.2 years, respectively. During the second quarter of 2006, the Company revised its initial estimated award forfeiture rate of 7.5% to 15% based upon actual attrition. As a result, the share-based compensation expense was reduced by approximately \$7 million for the eleven month period ended December 31, 2006.

2008 Incentive Compensation Plan. In 2008, UAL's Board of Directors and stockholders approved the UAL Corporation 2008 Incentive Compensation Plan (the 2008 Plan). The 2008 Plan is an incentive compensation plan that allows the Company to use different forms of compensation awards to attract, retain and reward eligible participants. This approval by stockholders also allows for the issuance of up to 8,000,000 additional shares pursuant to awards granted under the 2008 Plan. The 2008 Plan replaced the UAL Corporation 2006 Management Equity Incentive Plan, which was automatically terminated with respect to future grants and otherwise replaced and superseded by the 2008 Plan. Any awards granted under the MEIP remain in effect pursuant to their terms.

Any officer or employee of UAL or its affiliates is eligible to participate in the 2008 Plan. The 2008 Plan allows for the grant of options intended to qualify as incentive stock options (ISOs) under Section 422 of the Code, non-qualified stock options (NSOs), stock appreciation rights (SARs), restricted share awards, restricted stock units (RSUs), performance compensation awards, performance units, cash incentive awards and other equity-based and equity-related awards. Any shares of our common stock issued under the 2008 Plan will consist, in whole or in part, of authorized and unissued shares or of treasury shares.

The 2008 Plan provides that, unless otherwise provided in an award agreement, in the event of a change of control of the Company (as defined in the 2008 Plan):

any options and SARs outstanding as of the date the change of control is determined to have occurred become fully exercisable and vested, as of immediately prior to the change of control.

all performance units, cash incentive awards and other awards designated as performance compensation awards will be paid out at the target performance level on a prorated basis based on the number of days elapsed from the beginning of the performance period up to and including the change of control.

all other outstanding awards are automatically deemed exercisable or vested and all restrictions and forfeiture provisions related thereto lapse as of immediately prior to such change of control.

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The table below summarizes stock option activity pursuant to UAL's Management Plan stock options for the year ended December 31, 2008:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of year	4,150,093	\$ 35.66		
Granted	615,900	12.94		
Exercised(a)	(6,864)	33.88		\$
Canceled	(142,536)	34.87		
Expired	(262,921)	33.77		
Outstanding at end of year	4,353,672	32.80		
Vested and expected to vest at end of period	4,005,308	32.97	7.4	\$ 1
Exercisable at end of period(b)	2,031,242	35.14	7.0	

(a) The aggregate intrinsic value of shares exercised in 2008, 2007 and 2006 was less than \$1 million, \$11 million and \$3 million, respectively.

(b) Options represent the number of vested options at December 31, 2008. Aggregate intrinsic value is based only on vested options that have an exercise price less than the UAL stock price at December 31, 2008.

The following table provides additional information for options granted in each period:

	Year Ended		Period from
	December 31, 2008	December 31, 2007	February 1 to December 31, 2006
Weighted-average fair value assumptions:			
Risk-free interest rate	1.9-3.6%	3.4-5.0%	4.4-5.1%
Dividend yield	0%	0%	0%
Expected market price volatility of UAL common stock	55%	55%	55-57%
Expected life of options (years)	5.0-6.3	5.8-6.2	5.0-6.2
Weighted-average fair value	\$ 7.86	\$ 25.13	\$ 21.37

The fair value of options was determined at the grant date using a Black Scholes option pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The dividend yield on UAL's common stock was assumed to be zero since UAL did not have any plans to pay dividends at the time of the option grants.

The volatility assumptions were based upon historical volatilities of comparable airlines whose shares are traded using daily stock price returns equivalent to the contractual term of the option. In addition, implied volatility data for both UAL and comparable airlines, using current exchange-traded options, was utilized. Since the new UAL common stock only began trading in February 2006, the historical volatility data for UAL was not considered adequate to determine expected volatility.

The expected life of the options was determined based upon a simplified assumption that the option will be exercised evenly from vesting to expiration under the transitional guidance of Staff Accounting Bulletin No. 107, Topic 14, *Share-Based Payments*. Under the MEIP and the 2008 Plan, the stock options typically vest over a four year period. Under the MEIP, awards to employees that are retirement eligible either at the grant date or within the vesting period are considered vested at the respective retirement eligibility date.

Under SFAS 123R, the fair value of the Restricted Stock awards was primarily based upon the share price on the date of grant. Restricted stock vesting under the 2008 Plan and the MEIP is similar to the stock option vesting described above. Approximately 1.2 million of the 1.4 million non-vested restricted stock awards at December 31, 2008 are expected to vest.

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The table below summarizes restricted stock activity for the twelve months ended December 31, 2008:

	Restricted Stock	Weighted-Average Grant Price
Non-vested at beginning of year	2,017,989	\$ 37.20
Granted	413,800	15.76
Vested	(886,188)	33.36
Canceled	(114,926)	38.98
Non-vested at end of year	1,430,675	35.32

The fair value of restricted shares vested in 2008, 2007 and 2006 was \$30 million, \$28 million and \$31 million, respectively. The weighted-average grant date price of shares granted in 2007 and 2006 was \$43.61 and \$36.78.

(8) Income Taxes

In 2008, substantially all of the tax benefit of the Company's net loss was offset by a valuation allowance. In 2008, UAL and United recorded tax benefits of \$25 million and \$22 million, respectively, primarily due to the impairment and sale of select indefinite-lived intangibles and the impact of an increase in state tax rates. This tax benefit is small relative to the Company's losses; consequently, the Company's effective tax rate is insignificant, when compared to the 35% U.S. federal statutory rate. In 2007, the Company's regular taxable income was completely absorbed by utilization of its net operating loss (NOL) carry forward; however, the Company did incur an alternative minimum tax (AMT) liability of \$6 million.

The significant components of the income tax expense (benefit) are as follows:

(In millions)	Successor		Period from February 1 to December 31, 2006	Predecessor Period from January 1 to January 31, 2006
	Year Ended December 31,			
UAL	2008	2007	2006	2006
Current tax expense	\$ 1	\$ 6	\$	\$
Deferred tax expense (benefit)	(26)	291	21	8,488
Increase (decrease) in the valuation allowance for deferred tax assets				(8,488)
	\$ (25)	\$ 297	\$ 21	\$
United				
Current tax expense	\$ 4	\$ 6	\$	\$
Deferred tax expense (benefit)	(26)	290	29	8,397

Increase (decrease) in the valuation allowance
for deferred tax assets

(8,397)

\$ (22) \$ 296 \$ 29 \$

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The income tax provision differed from amounts computed at the statutory federal income tax rate, as follows:

(In millions)	UAL	Year Ended December 31,		Period from February 1 to	Period from January 1 to
		2008	2007	December 31, 2006	January 31, 2006
Income tax provision at statutory rate		\$ (1,880)	\$ 243	\$ 15	\$ 7,998
State income taxes, net of federal income tax benefit		(67)	13	1	423
Goodwill		798			
Nondeductible employee meals		7	10	9	1
Nondeductible interest expense		10	21		
Medicare Part D subsidy		(12)	(2)	(12)	(2)
Valuation allowance		1,100			(8,488)
Share-based compensation			2	5	
Rate change beginning deferreds		14			
Other, net		5	10	3	68
		\$ (25)	\$ 297	\$ 21	\$
United					
Income tax provision at statutory rate		\$ (1,865)	\$ 243	\$ 20	\$ 7,917
State income taxes, net of federal income tax benefit		(66)	13	1	419
Goodwill		798			
Nondeductible employee meals		7	10	9	1
Nondeductible interest expense		10	21		
Medicare Part D subsidy		(12)	(2)	(12)	(2)
Valuation allowance		1,083			(8,397)
Share-based compensation			2	5	
Rate change beginning deferreds		14			
Other, net		9	9	6	62
		\$ (22)	\$ 296	\$ 29	\$

Temporary differences and carry forwards that give rise to a significant portion of deferred tax assets and liabilities at December 31, 2008 and 2007 were as follows:

(In millions)	UAL		United	
	December 31, 2008	2007	December 31, 2008	2007
Deferred income tax asset (liability):				
Employee benefits, including postretirement, medical and ESOP	\$ 1,345	\$ 1,292	\$ 1,374	\$ 1,322

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Federal and state net operating loss carry forwards	2,622	2,458	2,622	2,473
Mileage Plus deferred revenue	1,541	1,216	1,545	1,220
AMT credit carry forwards	298	297	298	297
Fuel hedge unrealized losses	294		294	
Restructuring charges	139	170	134	165
Other asset	337	290	329	282
Less: Valuation allowance	(2,941)	(1,815)	(2,866)	(1,757)
Total deferred tax assets	\$ 3,635	\$ 3,908	\$ 3,730	\$ 4,002

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(In millions)	UAL		United	
	December 31,		December 31,	
	2008	2007	2008	2007
Depreciation, capitalized interest and other	\$ (2,961)	\$ (3,165)	\$ (2,958)	\$ (3,161)
Intangibles	(864)	(913)	(910)	(959)
Fuel hedge unrealized gains		(13)		(13)
Other liability	(346)	(377)	(321)	(352)
Total deferred tax liabilities	\$ (4,171)	\$ (4,468)	\$ (4,189)	\$ (4,485)
Net deferred tax liability	\$ (536)	\$ (560)	\$ (459)	\$ (483)

The federal and state NOL carry forwards relate to prior years' NOLs, which may be used to reduce tax liabilities in future years. This tax benefit is mostly attributable to federal pre-tax NOL carry forwards of \$7.0 billion. If not utilized, the federal tax benefits of \$1.0 billion expire in 2022, \$0.4 billion expire in 2023, \$0.5 billion expire in 2024, \$0.4 billion expire in 2025, \$20 million expire in 2026 and \$0.1 billion in 2028. In addition, the state tax benefit of \$170 million, if not utilized, expires over a five to twenty year period.

At this time, the Company does not believe that the limitations imposed by the Internal Revenue Code on the usage of the NOL carry forward and other tax attributes following an ownership change will have an effect on the Company. Therefore, the Company does not believe its exit from bankruptcy has had any material impact on the utilization of its remaining NOL carry forward and other tax attributes.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including the reversals of deferred tax liabilities) during the periods in which those temporary differences will become deductible. The Company's management assesses the realizability of its deferred tax assets, and records a valuation allowance for the deferred tax assets when it is more likely than not that a portion, or all of the deferred tax assets, will not be realized. As a result, the Company has a valuation allowance against its deferred tax assets as of December 31, 2008 and 2007, to reflect management's assessment regarding the realizability of those assets. The Company expects to continue to maintain a valuation allowance on deferred tax assets until there is sufficient positive evidence of future realization. The current valuation allowance of \$2,941 million and \$2,866 million for UAL and United, respectively, if reversed in future years will be allocated to reduce income tax expense as discussed in Note 1(p), Summary of Significant Accounting Policies - New Accounting Pronouncements. The current valuation allowance reflects a change from December 31, 2007 of \$1,126 million and \$1,109 million for UAL and United, respectively.

In addition to the deferred tax assets listed above, the Company has an \$809 million unrecorded tax benefit at December 31, 2008 attributable to the difference between the amount of the financial statement expense and the allowable tax deduction for UAL common stock issued to certain unsecured creditors and employees pursuant to the Plan of Reorganization. The Company is accounting for this unrecorded tax benefit by analogy to SFAS 123R which requires recognition of the tax benefit to be deferred until it is realized as a reduction of taxes payable. If not utilized, the unrecognized tax benefits of \$161 million will expire in 2025, \$489 million in 2026 and \$159 million over a period from 2027 through 2050.

Effective January 1, 2007, we adopted the provisions of FIN 48. Our adoption of FIN 48 resulted in a \$24 million increase in the liability for unrecognized tax benefits which was accounted for as a \$6 million decrease in goodwill, a \$2 million increase in additional capital invested and a \$32 million increase to deferred tax assets.

Our liability for uncertain tax positions was \$20 million and \$35 million at December 31, 2008 and 2007, respectively. Included in the ending balance are unrecognized tax benefits of \$15 million that would affect our effective tax rate if recognized. During 2008, uncertain tax positions that were

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effectively settled amounted to \$5 million. Excluding these items and amounts related to tax positions for which the ultimate deductibility is highly certain, there were no other significant changes in the components of the liability in the twelve months ending December 31, 2008. Any change in the amount of unrecognized tax benefits within the next twelve months is not expected to significantly impact the Company's results of operations or financial position.

Included in the balance at December 31, 2008, is \$4 million of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the effective tax rate but would cause a reduction to the net operating losses available for utilization.

The Company records penalties and interest relating to uncertain tax positions in the other operating expense and interest expense line items, respectively, within our *Statements of Consolidated Operations*. There are no significant accrued interest or penalties or interest or penalty expense recorded in the accompanying consolidated financial statements.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits related to uncertain tax positions:

(In millions)	2008	2007
Balance at January 1,	\$ 35	\$ 48
Increase in unrecognized tax benefits as a result of tax positions taken during the current period	1	1
Decrease in unrecognized tax benefits as a result of tax positions taken during a prior period	(11)	(14)
Decrease in unrecognized tax benefits relating to settlements with taxing authorities	(5)	
Balance at December 31,	\$ 20	\$ 35

Our income tax returns for tax years after 2003 remain subject to examination by the Internal Revenue Service and state taxing jurisdictions.

United and its domestic consolidated subsidiaries, file a consolidated federal income tax return with UAL. Under an intercompany tax allocation policy, United and its subsidiaries compute, record and pay UAL for their own tax liability as if they were separate companies filing separate returns. In determining their own tax liabilities, United and each of its subsidiaries take into account all tax credits or benefits generated and utilized as separate companies and they are compensated for the aforementioned tax benefits only if they would be able to use those benefits on a separate company basis.

(9) Retirement and Postretirement Plans

The Company maintains various retirement plans, both defined benefit and defined contribution, which cover substantially all employees. As discussed below, most of the Company's defined benefit plans were terminated and replaced with defined contribution plans as part of the bankruptcy reorganization. The Company also provides certain health care benefits, primarily in the U.S., to retirees and eligible dependents, as well as certain life insurance benefits to certain retirees reflected as Other Benefits in the tables below. The Company has reserved the right, subject to collective bargaining agreements, to modify or terminate the health care and life insurance benefits for both current and future retirees.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation and plan assets, the funded status and the amounts recognized in the *Statements of*

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Consolidated Financial Position for the defined benefit and other postretirement plans (Other Benefits):

(In millions)	Pension Benefits		Other Benefits	
	Year Ended		Year Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
<u>Change in Benefit Obligation</u>				
Benefit obligation at beginning of period	\$ 236	\$ 251	\$ 1,987	\$ 2,116
Service cost	6	8	32	39
Interest cost	8	9	122	121
Plan participants' contributions	1	1	69	56
Amendments		(16)		
Actuarial (gain) loss	(9)	(18)	(46)	(146)
Curtailments		1	(1)	
Foreign currency exchange rate changes	(8)	11		
Federal subsidy			12	8
Gross benefits paid	(13)	(11)	(217)	(207)
Benefit obligation at end of period	\$ 221	\$ 236	\$ 1,958	\$ 1,987
<u>Change in Plan Assets</u>				
Fair value of plan assets at beginning of period	\$ 167	\$ 152	\$ 56	\$ 54
Actual return on plan assets	(39)	9	3	3
Employer contributions	22	14	146	150
Plan participants' contributions	1	1	69	56
Foreign currency exchange rate changes	(14)	6		
Expected transfer out		(4)		
Benefits paid	(13)	(11)	(217)	(207)
Fair value of plan assets at end of period	\$ 124	\$ 167	\$ 57	\$ 56
Funded status - Net amount recognized	\$ (97)	\$ (69)	\$ (1,901)	\$ (1,931)

	Year Ended		Year Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Amounts recognized in the <i>Statements of Consolidated Financial Position</i> consist of:				
Noncurrent asset	\$ 19	\$ 33	\$	\$
Current liability	(4)	(5)	(89)	(102)
Noncurrent liability	(112)	(97)	(1,812)	(1,829)
Net amount recognized	\$ (97)	\$ (69)	\$ (1,901)	\$ (1,931)

Amounts recognized in accumulated other comprehensive income consist of:

Net actuarial gain (loss)	\$	\$ 43	\$ 286	\$ 254
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The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009 for actuarial gains are \$1 million for pension plans and \$20 million for other postretirement plans. At exit the Company elected not to apply the corridor approach for amortization of unrecognized amounts included in accumulated other comprehensive income. This policy

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may result in more volatility in the amortization of these unrecognized amounts into net periodic pension cost.

The following information relates to all pension plans with an accumulated benefit obligation and a projected benefit obligation in excess of plan assets:

(In millions)	December 31,	
	2008	2007
Projected benefit obligation	\$ 211	\$ 208
Accumulated benefit obligation	175	171
Fair value of plan assets	94	106

The net periodic benefit cost included the following components:

(In millions)	Successor		Predecessor	
	Year Ended		Period from	Period from
	December 31,		February 1	January 1
	2008	2007	to	to
	December 31,	December 31,	December 31,	January 31,
	2008	2007	2006	2006
<u>Pension Benefits</u>				
Service cost	\$ 6	\$ 8	\$ 9	\$ 1
Interest cost	8	9	8	1
Expected return on plan assets	(10)	(9)	(8)	(1)
Recognized actuarial (gain) loss	(2)	(1)		
Net periodic benefit costs	\$ 2	\$ 7	\$ 9	\$ 1
<u>Other Benefits</u>				
Service cost	\$ 32	\$ 39	\$ 33	\$ 3
Interest cost	122	121	116	11
Expected return on plan assets	(4)	(3)	(6)	(1)
Amortization of prior service cost including transition obligation				(13)
Curtailement gain	(1)			
Recognized actuarial (gain) loss	(17)	(11)		8
Net periodic benefit costs	\$ 132	\$ 146	\$ 143	\$ 8

The assumptions below are based on country-specific bond yields and other economic data. The weighted-average assumptions used for the benefit plans were as follows:

Pension Benefits	Other Benefits
At	At

	December 31,		December 31,	
	2008	2007	2008	2007
Weighted-average assumptions used to determine benefit <u>obligations</u>				
Discount rate	3.59%	4.16%	5.97%	6.27%
Rate of compensation increase	2.94%	3.22%		

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	Pension Benefits		Other Benefits	
	Year Ended		Year Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Weighted-average assumptions used to determine net <u>expense</u>				
Discount rate	4.16%	3.88%	6.27%	5.93%
Expected return on plan assets	6.31%	6.38%	6.50%	6.50%
Rate of compensation increase	3.22%	3.15%		

The expected return on plan assets is based on an evaluation of the historical behavior of the broad financial markets and the Company's investment portfolio.

	2008	2007
Health care cost trend rate assumed for next year	8.00%	8.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate in 2015)	5.00%	4.50%

Assumed health care cost trend rates have a significant effect on the amounts reported for the Other Benefits plan. A 1% change in the assumed health care trend rate for the Successor Company would have the following additional effects:

(In millions)		1% Increase	1% Decrease
Effect on total service and interest cost for the	year ended December 31,		
2008		\$ 19	\$ (13)
Effect on postretirement benefit obligation at	December 31, 2008	290	(226)

The weighted-average asset allocations for the plans at December 31, 2008 and 2007, by asset category are as follows:

Asset Category	Pension Assets		Other Benefit Assets	
	at December 31		at December 31	
	2008	2007	2008	2007
Equity securities	52%	70%	%	%
Fixed income	10	25	100	100
Other	38	5		
Total	100%	100%	100%	100%

The Company believes that the long-term asset allocations on average will approximate the targeted allocations and regularly reviews the actual asset allocations to periodically rebalance the investments to the targeted allocations when appropriate. The target asset allocations are established with the objective of achieving the plans' expected return on assets without undue investment risk.

Expected 2009 contributions are \$10 million for the pension plans and \$158 million for the other postretirement benefit plans. The following benefit payments are expected to be made in future years for the Company's retirement plans:

(In millions)	Pension	Other Benefits	Other Benefits subsidy receipts
2009	\$ 11	\$ 159	\$ 13
2010	11	162	14
2011	11	163	16
2012	12	160	18
2013	12	159	20
Years 2014 - 2018	58	826	125

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Defined Contribution Plans

In place of the domestic defined benefit pension plans that were terminated during bankruptcy, the Company enhanced its contributions to the defined contribution plans for most employee groups. Depending upon the employee group, contributions consist of matching contributions and/or non-elective employer contributions. The Company's contribution percentages vary from 1 to 16% of eligible earnings depending on the terms of each plan.

Effective March 1, 2006, an International Association of Machinists (IAM) replacement plan was implemented. The IAM replacement plan is a multi-employer plan whereby the assets contributed by the Company (based on hours worked) may be used to provide benefits to employees of other participating companies, since assets contributed by all participating companies are not segregated or restricted to provide benefits specifically to employees of one participating company. In accordance with the applicable accounting for multi-employer plans, the Company would only recognize a withdrawal obligation if it becomes probable it would withdraw from the plan. The Predecessor Company recorded expense from defined contribution plans of \$16 million for the month of January 2006. The Successor Company recognized \$248 million, \$232 million and \$206 million of expense for the years ended December 31, 2008 and 2007 and the eleven months ended December 31, 2006, respectively, for all of the Company's defined contribution employee retirement plans, of which \$34 million, \$28 million and \$21 million, respectively, related to the IAM multi-employer plan.

(10) Segment Information

Segments. The Company manages its business by two reporting segments: Mainline and United Express. The Company manages its business as an integrated network with assets deployed across various regions. See Note 1(i), Summary of Significant Accounting Policies United Express for additional information related to United Express expenses.

The accounting policies for each of these reporting segments are the same as those described in Note 1, Summary of Significant Accounting Policies, except that segment financial information has been prepared using a management approach which is consistent with how the Company internally disperses financial information for the purpose of making internal operating decisions. The Company evaluates segment financial performance based on earnings before income taxes, special items, reorganization items and gain on sale of investments. As discussed in the notes to the tables below, the Company does not allocate corporate overhead to its United Express segment; although certain selling and operational costs are allocated to United Express.

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The following table presents UAL segment information for the years ended December 31, 2008 and 2007, the eleven month period ended December 31, 2006, the one month period ended January 31, 2006:

(In millions)	UAL	Successor		Predecessor	
		Year Ended December 31, 2008	Year Ended December 31, 2007	Period from February 1 to December 31, 2006	Period from January 1 to January 31, 2006
Revenue:					
Mainline		\$ 17,096	\$ 17,035	\$ 15,185	\$ 1,254
United Express		3,098	3,063	2,697	204
Special revenue items			45		
Total		\$ 20,194	\$ 20,143	\$ 17,882	\$ 1,458
Depreciation and amortization:					
Mainline		\$ 932	\$ 925	\$ 820	\$ 68
United Express(a)		6	9	7	1
Segment earnings (loss) and reconciliation to <i>Statements of Consolidated Operations:</i>					
Mainline		\$ (2,607)	\$ 448	\$ (91)	\$ (59)
United Express		(150)	122	101	(24)
Special revenue items (Note 19)			45		
Goodwill impairment		(2,277)			
Other impairments and special items (Note 19)		(339)	44	36	
Gain on sale of investment (Note 20)			41		
Reorganization items, net					22,934
Less: Equity earnings in affiliates(b)		(6)	(5)	(3)	(5)
Consolidated earnings (loss) before income taxes and equity earnings in affiliates		\$ (5,379)	\$ 695	\$ 43	\$ 22,846

(a) United Express depreciation expense relates to assets used in United Express operations. This depreciation is included in Regional affiliates expense in the Company's *Statements of Consolidated Operations*.

(b) Equity earnings are part of the mainline segment.

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The following table presents United segment information for the years ended December 31, 2008 and 2007, the eleven month period ended December 31, 2006, the one month period ended January 31, 2006:

(In millions)	United	Successor Year Ended December 31,		Period from February 1 to December 31, 2006	Predecessor Period from January 1 to January 31, 2006
		2008	2007		
Revenue:					
Mainline		\$ 17,139	\$ 17,023	\$ 15,183	\$ 1,250
United Express		3,098	3,063	2,697	204
Special revenue items			45		
Total		\$ 20,237	\$ 20,131	\$ 17,880	\$ 1,454
Depreciation and amortization:					
Mainline		932	\$ 925	\$ 820	\$ 68
United Express(a)		6	9	7	1
Segment earnings (loss) and reconciliation to <i>Statements of Consolidated Operations:</i>					
Mainline		\$ (2,562)	\$ 446	\$ (76)	\$ (59)
United Express		(150)	122	101	(24)
Special revenue items (Note 19)			45		
Goodwill impairment		(2,277)			
Other impairments and special items (Note 19)		(339)	44	36	
Gain on sale of investment (Note 20)			41		
Reorganization items, net					22,709
Less: Equity earnings in affiliates(b)		(6)	(5)	(3)	(5)
Consolidated earnings (loss) before income taxes and equity earnings in affiliates		\$ (5,334)	\$ 693	\$ 58	\$ 22,621

(a) United Express depreciation expense relates to assets used in United Express operations. This depreciation is included in Regional affiliates expense in the Company's *Statements of Consolidated Operations*.

(b) Equity earnings are part of the mainline segment.

The Company does not allocate interest income or interest expense to the United Express segment in reports used to evaluate segment performance. Therefore, all amounts classified as interest income and interest expense in the *Statements of Consolidated Operations* relate to the mainline segment.

In accordance with SFAS 142, on the Effective Date the Company allocated goodwill upon adoption of fresh-start reporting in a manner similar to how the amount of goodwill recognized in a business combination is determined. This required the determination of the fair value of each reporting unit to calculate an estimated purchase price for such

reporting unit. This purchase price was then allocated to the individual assets and liabilities assumed to be related to that reporting unit. Any excess purchase price is the amount of goodwill assigned to that reporting unit. To the extent that individual assets and liabilities could be assigned directly to specific reporting units, those assets and liabilities were so assigned. As a result of this process, all of the Company's goodwill has been allocated to the mainline segment. See Note 3, Asset Impairments and Intangible Assets, for further information related to goodwill.

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At December 31, 2008 and 2007, UAL's and United's net carrying values of mainline and United Express segment assets were as follows:

(In millions)	UAL		United	
	2008	2007	2008	2007
Mainline segment	\$ 19,415	\$ 24,149	\$ 19,586	\$ 24,165
United Express segment	46	71	46	71
Total assets	\$ 19,461	\$ 24,220	\$ 19,632	\$ 24,236

United Express assets include only those assets directly associated with its operations. The Company does not allocate corporate assets to the United Express segment. The Company's capital expenditures are reported in the Company's *Statements of Consolidated Cash Flows* and are related to its mainline operations.

UAL and United's operating revenue by principal geographic region (as defined by the U.S. Department of Transportation) for the years ended December 31, 2008 and 2007, the eleven month period ended December 31, 2006 and the one month period ended January 31, 2006 is presented in the table below.

(In millions)	Successor		Period from February 1 to December 31, 2006	Predecessor Period from January 1 to January 31, 2006
	Year Ended December 31,			
	2008	2007		
UAL				
Domestic (U.S. and Canada)	\$ 12,819	\$ 14,006	\$ 11,981	\$ 953
Pacific	3,712	3,262	3,214	283
Atlantic	3,055	2,365	2,158	167
Latin America	608	510	529	55
Total UAL	\$ 20,194	\$ 20,143	\$ 17,882	\$ 1,458
Add (less): UAL other domestic	43	(12)	(2)	(4)
Total United	\$ 20,237	\$ 20,131	\$ 17,880	\$ 1,454

The Company attributes revenue among the geographic areas based upon the origin and destination of each flight segment. United's operations involve an insignificant level of dedicated revenue-producing assets in geographic regions as the overwhelming majority of the Company's revenue producing assets (primarily U.S. registered aircraft) generally can be deployed in any of its geographic regions, as any given aircraft may be used in multiple geographic regions on any given day.

(11) Accumulated Other Comprehensive Income (Loss)

The table below presents the components of the Company's accumulated other comprehensive income (loss), net of tax. See Note 9, Retirement and Postretirement Plans and Note 13, Fair Value Measurements and Financial

Instruments, for further information on these items.

(In millions)	As of December 31,		
	2008	2007	2006
Pension and other postretirement gains, net of tax	\$ 130	\$ 141	\$ 87
Financial instrument losses, net of tax	(37)		(5)
Accumulated other comprehensive income, net of tax	\$ 93	\$ 141	\$ 82

The 2006 pension-related amounts represent the adoption of Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158). During the initial adoption of SFAS 158, the Company recorded deferred taxes on the portion of other comprehensive income associated with the Medicare Part D subsidiary. In 2007, the Company recomputed deferred taxes on the

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portion of the initial other comprehensive balance at the adoption date excluding the amount of comprehensive income attributable to the Medicare Part D subsidiary. This adjustment of \$40 million is excluded from comprehensive income and is reported separately in the Company's *Statements of Consolidated Stockholders' Equity (Deficit)*.

(12) Debt Obligations and Card Processing Agreements

Long-term debt amounts outstanding at December 31, 2008 and 2007 are shown below:

(In millions)	United	At December 31,	
		2008	2007
Secured notes, 1.64% to 9.52%, due 2009 to 2022		\$ 4,331	\$ 4,659
Credit Facility, 3%, due 2014		1,273	1,291
4.5% convertible notes, due 2021(a)		726	726
6% senior notes, due 2031(a)		546	515
5% senior convertible notes, due 2021(a)		150	150
Total debt		7,026	7,341
Less: unamortized debt discount		(239)	(251)
Less: current portion of long-term debt		(780)	(678)
Long-term debt, net		\$ 6,007	\$ 6,412
	UAL(b)		
Current portion of long-term debt		\$ 782	\$ 678
Long-term debt, net		6,007	6,415

(a) Instruments were issued by UAL and pushed down to United as discussed below.

(b) A direct subsidiary of UAL had additional debt of \$2 million, which is classified as a current debt obligation as of December 31, 2008, and \$3 million which was classified as long-term debt obligation as of December 31, 2007.

The Company has a \$255 million revolving loan commitment available under Tranche A of its credit facility. As of December 31, 2008 and 2007, the Company used \$254 million and \$102 million, respectively, of the Tranche A commitment capacity for letters of credit. In addition, under a separate agreement, the Company had \$27 million of letters of credit issued as of December 31, 2008.

At December 31, 2008, UAL's contractual principal payments under then-outstanding long-term debt agreements in each of the next five calendar years are as follows: 2009 \$782 million; 2010 \$952 million; 2011 \$869 million; 2012 \$414 million; 2013 \$268 million and thereafter \$3,743 million.

As of December 31, 2008, assets with a net carrying value of \$7.9 billion, principally aircraft, route authorities and Mileage Plus intangible assets were pledged under various loan and other agreements.

Aircraft-related Transactions

In June 2008, United entered into an \$84 million credit agreement secured by three aircraft, including two Airbus A320s and one Boeing B777. Borrowings under the agreement are at a variable interest rate based on LIBOR plus a margin. The loan has a final maturity in June 2015.

In July 2008, United completed a \$241 million credit agreement secured by 26 of the Company's owned A319 and A320 aircraft. Borrowings under the agreement were at a variable interest rate based on LIBOR plus a margin. Periodic principal and interest payments are required until the final maturity in June 2019. The Company may not prepay the loan prior to July 2012. This agreement did not change

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the number of the Company's unencumbered aircraft as the Company used available equity in these previously mortgaged aircraft as collateral for this financing.

EETC Pass Through Certificates, Series 2007-1. On June 26, 2007, United and Wilmington Trust Company, as subordination agent and pass through trustee under three pass through trusts newly formed by United (the "Trustee") entered into a note purchase agreement, dated as of June 26, 2007 (the "Note Purchase Agreement"). The Note Purchase Agreement provides for the issuance by United of equipment notes (the "Equipment Notes") in the aggregate principal amount of approximately \$694 million to finance 13 aircraft owned by United. Ten of these owned aircraft had been financed by pre-existing aircraft mortgages which United repaid in full (approximately \$590 million principal amount) with most of the proceeds of the Equipment Notes. The mortgages related to these ten aircraft had been adjusted to fair market value at the adoption of fresh-start reporting on February 1, 2006. The extinguishment of the aircraft mortgages resulted in the recognition of a \$22 million gain for the unamortized premium, which was accounted for as a reduction in interest expense in the second quarter of 2007. The remaining three owned aircraft were unencumbered prior to the closing of the Enhanced Equipment Trust Certificates ("EETC") transaction.

The payment obligations of United under the Equipment Notes are fully and unconditionally guaranteed by UAL. The Class B and Class C certificates are subject to transfer restrictions. They may be sold only to qualified institutional buyers, as defined by Rule 144A under the Securities Act of 1933, as amended, for so long as they are outstanding. Pursuant to the Note Purchase Agreement, the Trustee for each pass through trust agreed to purchase Equipment Notes issued under a Trust Indenture and Mortgage (each, an "Indenture" and, collectively, the "Indentures") with respect to each aircraft financing entered into by United and Wilmington Trust Company, as Mortgagee.

Each Indenture contemplated the issuance of Equipment Notes in three series: Series A, bearing interest at the rate of 6.636% per annum, Series B, bearing interest at the rate of 7.336% per annum, and Series C, bearing interest at the rate of six-month LIBOR plus 2.25% per annum, in the aggregate principal amount of approximately \$694 million divided between the three series as follows: \$485 million in the case of Series A Equipment Notes, \$107 million in the case of Series B Equipment Notes and \$102 million in the case of Series C Equipment Notes. The Equipment Notes were purchased by the Trustee for each pass through trust using the proceeds from the sale of Pass Through Certificates, Series 2007-1A, Pass Through Certificates, Series 2007-1B and Pass Through Certificates, Series 2007-1C (collectively, the "Certificates").

Interest on the Equipment Notes is payable semiannually on each January 2 and July 2, beginning on January 2, 2008. Principal payments are scheduled on January 2 and July 2 in scheduled years, beginning on January 2, 2008. The final payments will be due on July 2, 2022, in the case of the Series A Equipment Notes, July 2, 2019, in the case of the Series B Equipment Notes and July 2, 2014, in the case of the Series C Equipment Notes. Maturity of the Equipment Notes may be accelerated upon the occurrence of certain events of default, including failure by United to make payments under the applicable Indenture when due or to comply with certain covenants, as well as certain bankruptcy events involving United. The Equipment Notes issued with respect to each of the 13 aircraft are secured by a lien on each such aircraft and are cross-collateralized by the rest of the 13 aircraft financed pursuant to the Note Purchase Agreement.

Distributions on the Certificates are subject to certain subordination provisions whereby Morgan Stanley Senior Funding, Inc. provided a liquidity facility for each of the Class A and Class B certificates. The liquidity facilities are expected to provide an amount sufficient to pay up to three semiannual interest payments on the certificates of the related pass through trust. The Class C certificates do not have the benefit of a liquidity facility.

The Company evaluated whether the trusts formed for the above EETC financing are variable interest entities ("VIEs") required to be consolidated by the Company under FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, (FIN 46R). Additionally, the Company considered the guidance in FASB

Staff Position FIN 46R-6, *Determining the Variability to*

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Be Considered in Applying FASB interpretation No. 46(R). Based on this evaluation the Company determined that the trusts are VIEs and are not excluded from the scope of FIN 46R. The Company evaluated whether there is an implicit or explicit arrangement that absorbs variability from the trusts. Based on the Company's analysis as described below, the Company determined that it does not absorb variability of the trusts and that it does not have a variable interest in the trusts.

The Company evaluated the design of the trusts, including (1) the nature of the risk in the trusts and (2) the purpose for which the trusts were created and the variability that the trusts are designed to create and pass along to their variable interest holders. The primary risk of the trusts is credit risk (i.e. the risk that United, the issuer of the equipment notes, may be unable to make its principal and interest payments). The purpose of the trusts is to enhance the credit worthiness of United's debt obligation through certain bankruptcy protection provisions, a liquidity facility and improved loan-to-value ratios for more senior debt classes. These credit enhancements lower United's total borrowing cost. The other purpose of the trust is to receive principal and interest payments on the equipment notes purchased by the trusts from United and remit these proceeds to the trusts' certificate holders.

United did not invest in or obtain a financial interest in the trusts. Rather United has an obligation to make its interest and principal payments on its equipment notes held by the trusts. By design, United was not intended to have any voting or non-voting equity interest in the trusts or to absorb variability from the trusts. Based on this analysis, the Company determined that it is not required to consolidate the trusts under FIN 46R.

EETC Repurchases. In addition, the Company purchased certain of its previously issued and outstanding EETC securities in open market transactions during 2007. The Company purchased EETC securities, including accrued interest, for \$96 million and adjusted these securities to a fair value of \$91 million at December 31, 2007. At December 31, 2008, the fair value of these securities was \$46 million. These EETC securities were issued by third-party pass-through trusts that are not consolidated by the Company. The pass-through trusts' only investments are equipment notes issued by United. The acquisition of the EETC securities does not legally extinguish the corresponding equipment notes; therefore, the certificates are classified as a non-current investment.

See Note 14, Commitments, Contingent Liabilities and Uncertainties for a discussion of the Company's municipal bond guarantees.

Other Debt

Push Down of UAL Securities. The following instruments issued by UAL have been pushed down to United and are reflected as debt of United as part of fresh-start reporting.

4.5% convertible notes. These notes are unsecured, mature on June 30, 2021 and do not require any payment of principal before maturity. Interest is payable semi-annually, in arrears. These notes may be converted into common stock of UAL. The conversion price, which was initially \$34.84, is subject to adjustment for certain dilutive items and events. Effective January 10, 2008, the conversion price was changed to \$32.64 due to UAL's January 23, 2008 special distribution to holders of UAL common stock. The notes are junior, in right of payment upon liquidation, to the Company's obligations under the 5% senior convertible notes and 6% senior notes discussed below. The notes are callable in cash and/or UAL common stock beginning in 2011, except that UAL may elect to pay in common stock only if the common stock has traded at not less than 125% of the conversion price for the 60 consecutive trading days immediately before the redemption date. In addition, on each of June 30, 2011 and June 30, 2016, holders have the option to require UAL to repurchase its notes, which UAL may elect to do through the payment of cash or UAL common stock, or a combination of both. These notes are guaranteed by United.

5% senior convertible notes. The notes are unsecured, have a term of 15 years from the date of issuance and do not require any payment of principal before maturity. Interest is payable semi-annually, in arrears. These 5% senior convertible notes may be converted, at the holder's option, into UAL

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common stock at any time at an initial conversion price of \$46.86. Effective January 10, 2008, the conversion price was adjusted to \$43.90 due to the UAL special distribution to holders of UAL common stock on January 23, 2008. This conversion price is subject to adjustment for certain dilutive items and events. These notes are callable, at UAL's option, in cash or UAL common stock, under certain conditions, beginning five years after the issuance date. In the case of any such redemption, the Company may only redeem these notes with shares of common stock if UAL common stock has traded at no less than 125% of the conversion price for the 60 consecutive trading days prior to the redemption date. The holders have the option to require UAL to repurchase their notes on the 5th and 10th anniversary of the date of issuance, which UAL may elect to do through the payment of cash, common stock or a combination of both.

6% senior notes. These notes are unsecured, mature 25 years from the issuance date and do not require any payment of principal before maturity. Interest is payable semi-annually, in arrears. Interest may be paid with cash, in kind notes or UAL common stock through 2011 and thereafter in cash. These notes are callable at any time at 100% of par value and can be redeemed with either cash or UAL common stock at UAL's option. Upon a change in control or other event as defined in the agreement, UAL has an obligation to redeem the notes. In the case of such mandatory redemption, UAL may elect to redeem the notes in cash, in shares of UAL common stock or a combination thereof. The Company paid interest in-kind of approximately \$31 million and \$15 million on the 6% senior notes during the years ended December 31, 2008 and 2007, respectively.

Contingent Senior Unsecured Notes. In addition to the debt issued as noted above, UAL is obligated to issue to the PBGC 8% senior unsecured notes with an aggregate \$500 million principal amount in up to eight equal tranches of \$62.5 million (with no more than two tranches issued on a single date) upon the occurrence of certain financial triggering events. Any required tranche will be issued no later than 45 days following the end of any fiscal year in which there is an issuance-triggering event, starting with the fiscal year ending December 31, 2009 through fiscal year ending December 31, 2017. An issuance trigger event occurs when, among other things, the Company's EBITDAR exceeds \$3.5 billion over the prior twelve months ending June 30 or December 31 of any applicable fiscal year, beginning with the fiscal year ending December 31, 2009. However, if the issuance of a tranche would cause a default under any other securities then existing, UAL may satisfy its obligations with respect to such tranche by issuing UAL common stock having a market value equal to \$62.5 million. Each issued tranche will mature 15 years from its respective issuance date, with interest payable in cash in semi-annual installments, and will be callable at any time at 100% of par value, plus accrued and unpaid interest.

Amended Credit Facility

In February 2007, the Company prepaid \$972 million of its then outstanding credit facility debt and entered into an Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement dated as of February 2, 2007 with JPMorgan Chase Bank, N.A., Citicorp USA, Inc., J.P. Morgan Securities Inc., Citigroup Global Markets, Inc. and Credit Suisse Securities (USA) LLC (the Amended Credit Facility) that, among other things, reduced the size of the facility from \$3.0 billion to \$2.055 billion, reduced the applicable interest rates and provided for a more limited collateral package and a relaxation of certain restrictive covenants. There were no prepayment penalties associated with this debt retirement. In addition, United also incurred financing costs of \$10 million of which \$6 million was expensed and \$4 million was capitalized. The financing costs associated with the credit facility amendment and prepayment, which were expensed, are classified within interest expense. The Company expensed approximately \$17 million of deferred financing costs which are related to the portion of the credit facility prepaid in February 2007 and included in other assets on the December 31, 2006 *Statements of Consolidated Financial Position*.

The Amended Credit Facility provided for a total commitment of up to \$2.055 billion, comprised of two separate tranches: (i) a Tranche A consisting of \$255 million revolving commitment available for Tranche A loans and standby letters of credit and (ii) a Tranche B consisting of a term loan commitment

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of \$1.8 billion available at the time of closing. The Tranche A loans mature on February 1, 2012 and the Tranche B loans mature on February 1, 2014.

Borrowings under the Amended Credit Facility bear interest at a floating rate, which, at the Company's option, can be either a base rate or a LIBOR rate, plus an applicable margin of 1.0% in the case of base rate loans and 2.0% in the case of LIBOR loans. The Tranche B term loan requires regularly scheduled semi-annual payments of principal equal to \$9 million. Interest is payable at least every three months. The Company may prepay some or all of the Tranche B loans from time to time, at a price equal to 100% of the principal amount prepaid plus accrued and unpaid interest, if any, to the date of prepayment, but without penalty or premium.

In December 2007 the Company prepaid an additional \$500 million of the term loan under the Amended Credit Facility. In connection with this prepayment, the Company expensed an additional \$6 million of previously capitalized debt issuance costs. The Company also recognized a \$2 million credit to interest expense to recognize previously deferred interest rate swap gains. The December 2007 amendment enabled the Company to undertake certain shareholder initiatives. UAL's Board of Directors approved a special distribution of \$2.15 per share to holders of UAL common stock, or approximately \$257 million, which was paid on January 23, 2008. The Company can undertake approximately \$243 million in additional shareholder initiatives without any additional prepayment of the Amended Credit Facility. The amendment also provides that the Company can carry out further shareholder initiatives in an amount equal to future term loan prepayments.

Amended Credit Facility Collateral. United's obligations under the Amended Credit Facility are unconditionally guaranteed by UAL Corporation and certain of its direct and indirect domestic subsidiaries, other than certain immaterial subsidiaries (the Guarantors). On February 2, 2007, the closing date of the Amended Credit Facility, the obligations were secured by a security interest in the following tangible and intangible assets of United and the Guarantors: (i) the Pacific (Narita, China and Hong Kong) and Atlantic (Heathrow) routes (the Primary Routes) that United had as of February 2, 2007, (ii) primary foreign slots, primary domestic slots, certain gate interests in domestic airport terminals and certain supporting route facilities, (iii) certain spare engines, (iv) certain quick engine change kits, (v) certain owned real property and related fixtures, and (vi) certain flight simulators (the Collateral). After the closing date, and subject to certain conditions, United and the Guarantor were able to grant a security interest in the following assets, in substitution for certain Collateral (which may be released from the lien in support of the Amended Credit Facility upon the satisfaction of certain conditions): (a) certain aircraft, (b) certain spare parts, (c) certain ground handling equipment and (d) accounts receivable. In addition, United had the right to remove collateral pledged to the Amended Credit Facility as long as the minimum collateral ratio described below is achieved.

In March 2008, in accordance with the terms of its the Amended Credit Facility, United provided notice to the lenders of its intent to remove certain assets from the collateral securing its outstanding loans. The release of such collateral was effective as of April 16, 2008. The release of collateral, which was valued at approximately \$650 million, was facilitated, in part, by the reduction in outstanding loans under the Amended Credit Facility following United's \$500 million prepayment in December 2007. United's assets released from the Amended Credit Facility collateral included all domestic slots, spare engines, flight simulators, owned real property and related fixtures previously securing the Amended Credit Facility. Following such release of collateral, the Amended Credit Facility is secured by certain of United's international route authorities, international slots, related gate interests and associated rights.

Amended Credit Facility Covenants. The Amended Credit Facility contains covenants that in certain circumstances may limit the ability of United and the Guarantors to, among other things, incur or guarantee additional indebtedness, create liens, pay dividends on or repurchase stock, make certain types of investments, enter into transactions with affiliates, sell assets or merge with other companies, modify corporate documents or change lines of business. The Company was in compliance with all of its Amended Credit Facility covenants as of December 31, 2008 and 2007. In May 2008, the Company amended the terms of certain financial covenants of the Amended Credit Facility. The

Company paid

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\$109 million to amend the credit facility. These costs are being deferred and amortized over the remaining life of the agreement. The following is a summary of the financial covenants after the May amendment.

Beginning with the second quarter of 2009, the Company must maintain a specified minimum ratio of EBITDAR to the sum of the following fixed charges for all applicable periods: (a) cash interest expense and (b) cash aircraft operating rental expense. EBITDAR represents earnings before interest expense net of interest income, income taxes, depreciation, amortization, aircraft rent and certain other cash and non-cash credits and charges as further defined by the Amended Credit Facility. The other adjustments to EBITDAR include items such as foreign currency transaction gains or losses, increases or decreases in our deferred revenue obligation, share-based compensation expense, non-recurring or unusual losses, any non-cash non-recurring charge or non-cash restructuring charge, a limited amount of cash restructuring charges, certain cash transaction costs incurred with financing activities and the cumulative effect of a change in accounting principle.

The Amended Credit Facility also requires compliance with the following financial covenants: (i) a minimum unrestricted cash balance of \$1.0 billion and (ii) a minimum ratio of market value of collateral to the sum of (a) the aggregate outstanding amount of the loans plus (b) the undrawn amount of outstanding letters of credit plus (c) the unreimbursed amount of drawings under such letters of credit plus (d) the termination value of certain interest rate protection and hedging agreements with the Amended Credit Facility lenders and their affiliates, of 150% at any time, or 200% at any time following the release of Primary Routes having an appraised value in excess of \$1 billion (unless the Primary Routes are the only collateral then pledged).

The requirement to meet a fixed charge coverage ratio was suspended for the four quarters beginning with the second quarter of 2008 and ending with the first quarter of 2009 and thereafter is determined as set forth below:

Number of Preceding Months Covered	Period Ending	Required Coverage Ratio
Three	June 30, 2009	1.0 to 1.0
Six	September 30, 2009	1.1 to 1.0
Nine	December 31, 2009	1.2 to 1.0
Twelve	March 31, 2010	1.3 to 1.0
Twelve	June 30, 2010	1.4 to 1.0
Twelve	September 30, 2010 and each quarter ending thereafter	1.5 to 1.0

Failure to comply with any applicable covenants in effect for any reporting period could result in a default under the Amended Credit Facility unless the Company obtains a waiver of, or otherwise mitigates or cures, any such default. A default could result in a termination of the Amended Credit Facility and a requirement to accelerate repayment of all outstanding facility borrowings. Additionally, the Amended Credit Facility contains a cross default provision with respect to other credit arrangements that exceed \$50 million. Although the Company was in compliance with all required financial covenants as of December 31, 2008 and the Company is not required to comply with a fixed charge coverage ratio until the three month period ending June 30, 2009, continued compliance depends on many factors, some of which are beyond the Company's control, including the overall industry revenue environment and the level of fuel costs.

Credit Card Processing Agreement Covenants

The Company has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of the Company's card processing agreements, the financial institutions

either require, or have the right to require, that United maintain a reserve equal to a portion of advance ticket sales that have been processed by that financial institution, but for which the Company has not yet provided the air transportation (referred to as relevant advance

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ticket sales). As of December 31, 2008, the Company had advance ticket sales of approximately \$1.5 billion of which approximately \$1.3 billion relates to credit card sales.

In November 2008, United entered into an amendment for its card processing agreement with Paymentech and JPMorgan Chase Bank (the Amendment) that suspends until January 20, 2010 the requirement for United to maintain additional cash reserves with this processor of bank cards (above the current cash reserve of \$25 million at December 31, 2008) if United's month-end balance of unrestricted cash, cash equivalents and short-term investments falls below \$2.5 billion. In exchange for this benefit, United has granted the processor a security interest in certain of United's owned aircraft with a current appraised value of at least \$800 million. United also has agreed that such security interest collateralizes not only United's obligations under the processing agreement, but also United's obligations under United's Amended and Restated Co-Branded Card Marketing Services Agreement. United has an option to terminate the Amendment prior to January 20, 2010, in which event the parties' prior credit card processing reserve arrangements under the processing agreement will go back into effect.

After January 20, 2010, or in the event United terminates the Amendment, and in addition to certain other risk protections provided to the processor, the amount of any such reserve will be determined based on the amount of unrestricted cash held by the Company as defined under the Amended Credit Facility. If the Company's unrestricted cash balance is more than \$2.5 billion as of any calendar month-end measurement date, its required reserve will remain at \$25 million. However, if the Company's unrestricted cash is less than \$2.5 billion, its required reserve will increase to a percentage of relevant advance ticket sales as summarized in the following table:

Total Unrestricted Cash Balance(a)	Required % of Relevant Advance Ticket Sales	
Less than \$2.5 billion	15	%
Less than \$2.0 billion	25	%
Less than \$1.0 billion	50	%

(a) Includes unrestricted cash, cash equivalents and short-term investments at month-end, including certain cash amounts already held in reserve, as defined by the agreement.

If the November 2008 Amendment had not been in effect as of December 31, 2008, the Company would have been required to post an additional \$132 million of reserves based on an actual unrestricted cash, cash equivalents and short-term investments balance of between \$2.0 billion and \$2.5 billion at December 31, 2008.

United's card processing agreement with American Express expired on February 28, 2009 and was replaced by a new agreement on March 1, 2009 which has an initial five year term. As of December 31, 2008, there were no required reserves under this card agreement, and no reserves were required up through the date of expiration.

Under the new agreement, in addition to certain other risk protections provided to American Express, the Company will be required to provide reserves based primarily on its unrestricted cash balance and net current exposure as of any calendar month-end measurement date, as summarized in the following table:

Total Unrestricted Cash Balance(a)	Required % of Net Current Exposure(b)	
---	--	--

Less than \$2.4 billion	15	%
Less than \$2.0 billion	25	%
Less than \$1.35 billion	50	%
Less than \$1.2 billion	100	%

- (a) Includes unrestricted cash, cash equivalents and short-term investments at month-end, including certain cash amounts already held in reserve, as defined by the agreement.

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- (b) Net current exposure equals relevant advance ticket sales less certain exclusions, and as adjusted for specified amounts payable between United and the processor, as further defined by the agreement.

The new agreement permits the Company to provide certain replacement collateral in lieu of cash collateral, as long as the Company's unrestricted cash is above \$1.35 billion. Such replacement collateral may be pledged for any amount of the required reserve up to the full amount thereof, with the stated value of such collateral determined according to the agreement. Replacement collateral may be comprised of aircraft, slots and routes, real estate or other collateral as agreed between the parties.

In the near term, the Company will not be required to post reserves under the new American Express agreement as long as unrestricted cash as measured at each month-end, and as defined in the agreement, is equal to or above \$2.0 billion.

If the terms of the new agreement had been in place at December 31, 2008, and ignoring the near term protection in the preceding sentence, the Company would have been required to provide collateral of approximately \$40 million.

An increase in the future reserve requirements as provided by the terms of either or both the Company's material card processing agreements could materially reduce the Company's liquidity.

(13) Fair Value Measurements and Derivative Instruments

Instruments designated as cash flow hedges are accounted for under SFAS 133, as long as the hedge is highly effective and the underlying transaction is probable. If both factors are present, the effective portion of the changes in fair value of these contracts is recorded in accumulated other comprehensive income (loss) until earnings are affected by the cash flows being hedged. To the extent that the designated cash flow hedges are ineffective, gain or loss is recognized currently in earnings. The Company offsets the fair value of derivative instruments executed with the same counterparty when netting agreements exist.

Instruments classified as economic hedges do not qualify for hedge accounting under SFAS 133. Under this classification all changes in the fair value of these contracts are recorded currently in income, with the offset to either current assets or liabilities each reporting period. Economic fuel hedge gains and losses are classified as part of aircraft fuel expense and fuel hedge gains and losses from instruments that are not deemed economic hedges are classified as part of nonoperating income. Foreign currency hedge gains and losses are classified as part of nonoperating income.

Aircraft Fuel Hedges.

The Company has a risk management strategy to hedge a portion of its price risk related to projected jet fuel requirements. As presented in the table below, the Company utilizes various types of hedging instruments including purchased calls, collars, 3-way collars and 4-way collars. A collar involves the purchase of fuel call options with the simultaneous sale of fuel put options with identical expiration dates. Derivative gains (losses) from economic hedges are included in fuel expense while gains (losses) from other hedges are recorded in nonoperating income (expense).

The following table presents the fuel hedge (gains) losses recognized during the periods presented and their classification in the *Statements of Consolidated Operations*.

Mainline Fuel

(In millions)	Year Ended December 31,			Nonoperating income (expense) Year Ended December 31,		
	2008	2007	2006	2008	2007	2006
Fuel hedges(a):						
Cash fuel hedge (gains) losses	\$ 40	\$ (63)	\$ 24	\$ 249	\$	\$
Non-cash fuel hedge (gains) losses	568	(20)	2	279		
Total fuel hedge (gains) losses	\$ 608	\$ (83)	\$ 26	\$ 528	\$	\$

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(a) Fuel hedge gains (losses) are not allocated to Regional affiliates expense.

As of December 31, 2008, the Company had hedged its forecasted consolidated fuel consumption as shown in the table below.

	Percentage of Projected Fuel Requirements Hedged(a)	Barrels hedged (in 000s)				Weighted-average price per barrel			
		Bought Puts	Sold Puts(a)	Purchased Calls	Sold Calls	Payment Obligations Stop	Payment Obligations Begin	Hedge Protection Begins	Hedge Protection Ends
First Quarter 2009:	%					\$	\$	\$	\$
Calls	14			1,975		NA	NA	83(b)	NA
Collars	9(10)		1,425	1,275		NA	109	118	NA
3-way collars	25(29)		4,125	3,525	3,525	NA	104	118	143
4-way collars	2	225	225	225	225	63	78	95	135
Total	50	225	5,775	7,000	3,750				
Purchased puts	35	4,925				57	NA	NA	NA
Full Year 2009:									
Calls	9			5,350		NA	NA	81(c)	NA
Collars	5 (6)		3,450	2,775		NA	111	123	NA
3-way collars	18 (22)		12,525	10,350	10,350	NA	102	118	147
4-way collars	2	900	900	900	900	63	78	95	135
Total	34	900	16,875	19,375	11,250				
Purchased puts	17	9,500				54	NA	NA	NA

(a) Percent of expected consumption represents the notional amount of the purchased calls in the hedge structures. Certain 3-way collars and collars included in the table above have sold puts with twice the notional amount of the purchased calls. The percentages in parentheses represent the notional amount of sold puts in these hedge structures.

(b) Call position average includes the following two groupings of positions: 6% of consumption with protection beginning at \$47 per barrel and 8% of consumption beginning at \$106 per barrel.

(c) Call position average includes the following two groupings of positions: 4% of consumption with protection beginning at \$50 per barrel and 5% of consumption beginning at \$106 per barrel.

Foreign Currency Derivatives.

The Company hedges a portion of its remaining foreign currency risk exposure using foreign currency forward contracts. As of December 31, 2008, the Company hedged a portion of its expected foreign currency cash flows in the Australian dollar, Canadian dollar, British pound, European Euro and Japanese yen. As of December 31, 2008, the

notional amount of these foreign currencies hedged with the forward contracts in U.S. dollars terms was approximately \$62 million. These contracts expire at various dates through December 2009. For the years ended December 31, 2008 and 2007, there were no material gains or losses from these derivative positions.

Fair Value Information. Effective January 1, 2008, the Company adopted SFAS 157. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This

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hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

For identical, unrestricted assets or liabilities.

For similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; significant to the fair value of the assets or liabilities.

The table below presents disclosures about the fair value of financial assets and financial liabilities recognized in the Company's *Statements of Consolidated Financial Position*.

	Fair Value Measurements at Reporting Date Using				
	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains/ (Losses) (Level 3)(b)
(In millions)					
Assets and Liabilities Measured at Fair Value on a Recurring Basis:					
EETC available-for-sale securities	\$ 46	\$	\$	\$ 46	\$ (37)
Foreign currency receivables	10		10		
Total financial assets	\$ 56	\$	\$ 10	\$ 46	\$ (37)
Total financial liabilities Fuel derivative payables(a)	\$ (867)	\$	\$ (867)	\$	\$

- (a) The fair value of the fuel hedge derivatives is recorded in other current and noncurrent assets and other current and noncurrent liabilities in the Company's *Statements of Consolidated Financial Position* based on the timing of the contract settlement dates. As of December 31, 2008, \$9 million of the total fuel derivative payable was classified as a noncurrent liability. The current fuel trade payable includes \$140 million related to counterparty payables for pending settlements of purchased options and expired contracts. See below for further discussion of fuel derivative gains and losses.
- (b) During the year ended December 31, 2008, changes in the fair value of Level 3 EETC securities are classified within Accumulated other comprehensive income in the Company's *Statements of Consolidated Financial Position*.

Level 3 Financial Assets and Liabilities
(In millions)

**Available-
for-sale
securities**

Balance at January 1, 2008	\$ 91
Unrealized gains (losses) relating to instruments held at reporting date	(37)
Return of principal	(8)
Balance at December 31, 2008	\$ 46

The Company considered counterparty credit risk in determining the fair value of the financial instruments shown in the table above. Credit risk did not have a significant impact on the fair values of fuel derivatives because the Company was required to post \$965 million of cash collateral with certain of its fuel derivative counterparties at December 31, 2008. The current portion of the collateral, \$953 million, is classified as Fuel hedge collateral deposits and the noncurrent portion is classified as Other assets in the accompanying *Statements of Consolidated Financial Position*. The Company routinely reviews the credit risk associated with its counterparties and believes its collateral is fully recoverable from its counterparties as of December 31, 2008. Based on the fair value of the Company's

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fuel derivative instruments, our counterparties may require the Company to post additional amounts of collateral when the price of the underlying commodity decreases and lesser amounts when the price of the underlying commodity increases.

Derivative instruments and investments presented in the table above have the same fair value as their carrying value. The table below presents the carrying values and estimated fair values of the Company's financial instruments not presented in the table above:

(In millions)	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (including current portion)	\$ 6,789	\$ 4,192	\$ 7,093	\$ 6,796
Preferred stock			371	401
Lease deposits	326	351	516	531

Fair value of the above financial instruments was determined as follows:

Description**Fair Value Methodology**

*Cash and Cash Equivalents,
Short-term Investments and Restricted
Cash*

The carrying amounts approximate fair value because of the short-term maturity of these investments.

*Enhanced Equipment
Trust Certificates (EETCs)*

The EETCs are not actively traded on an exchange. Fair value is based on the trading prices of similar EETC instruments issued by other airlines. The Company uses internal models and observable and unobservable inputs to corroborate third party quotes. Because certain inputs are unobservable, the Company categorized the EETCs as Level 3.

Fuel Derivative Instruments

Derivative contracts are privately negotiated contracts and are not exchange traded. Fair value measurements are estimated with option pricing models that employ observable and unobservable inputs.

*Foreign Currency Derivative
Instruments*

Fair value is determined with a formula utilizing observable inputs.

Preferred Stock and Long-Term Debt

The fair value is based on the quoted market prices for the same or similar issues, discounted cash flow models using appropriate market rates and the Black-Scholes model to value conversion rights in UAL's convertible preferred stock and debt instruments. The Company's credit risk was considered in estimating fair value.

(14) Commitments, Contingent Liabilities and Uncertainties

General Guarantees and Indemnifications. In the normal course of business, the Company enters into numerous real estate leasing and aircraft financing arrangements that have various guarantees included in the contracts. These guarantees are primarily in the form of indemnities. In both leasing and financing transactions, the Company typically

indemnifies the lessors and any tax/financing parties, against tort liabilities that arise out of the use, occupancy, operation or maintenance of the leased premises or financed aircraft. Currently, the Company believes that any future payments required under these guarantees or indemnities would be immaterial, as most tort liabilities and related indemnities are covered by insurance (subject to deductibles). Additionally, certain leased premises such as fueling stations or storage facilities include indemnities of such parties for any environmental liability that may arise out of or relate to the use of the leased premises.

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Legal and Environmental Contingencies. The Company has certain contingencies resulting from litigation and claims (including environmental issues) incident to the ordinary course of business. Management believes, after considering a number of factors, including (but not limited to) the information currently available, the views of legal counsel, the nature of contingencies to which the Company is subject and prior experience, that the ultimate disposition of these contingencies will not materially affect the Company's consolidated financial position or results of operations.

The Company records liabilities for legal and environmental claims when a loss is probable and reasonably estimable. These amounts are recorded based on the Company's assessments of the likelihood of their eventual disposition. The amounts of these liabilities could increase or decrease in the near term, based on revisions to estimates relating to the various claims.

The Company anticipates that if ultimately found liable, its damages from claims arising from the events of September 11, 2001 could be significant; however, the Company believes that, under the Air Transportation Safety and System Stabilization Act of 2001, its liability will be limited to its insurance coverage.

The Company continues to analyze whether any potential liability may result from air cargo/passenger surcharge cartel investigations following the receipt of a Statement of Objections that the European Commission (the Commission) issued to 26 companies on December 18, 2007. The Statement of Objections sets out evidence related to the utilization of fuel and security surcharges and exchange of pricing information that the Commission views as supporting the conclusion that an illegal price-fixing cartel had been in operation in the air cargo transportation industry. United received a copy of the Statement of Objections and has provided written and oral responses vigorously disputing the Commission's allegations against the Company. Nevertheless, United will continue to cooperate with the Commission's ongoing investigation. Based on its evaluation of all information currently available, the Company has determined that no reserve for potential liability is required and will continue to defend itself against all allegations that it was aware of or participated in cartel activities. However, penalties for violation of European competition laws can be substantial and a finding that the Company engaged in improper activity could have a material adverse impact on our consolidated financial position and results of operations.

Contingent Senior Unsecured Notes. UAL is obligated to issue up to \$500 million of 8% senior unsecured notes to the PBGC in up to eight equal tranches of \$62.5 million upon the occurrence of certain financial triggering events. Beginning with fiscal year ending December 31, 2009 and through fiscal year ending December 31, 2017, a triggering event may occur when, among other things, the Company's EBITDAR exceeds \$3.5 billion over a prior twelve month period. In certain circumstances, UAL common stock may be issued in lieu of issuance of the notes. See Note 12, Debt Obligations and Card Processing Agreements, for further information.

Commitments. At December 31, 2008, future commitments for the purchase of property and equipment, principally aircraft, include approximately \$0.6 billion of binding commitments and \$2.4 billion of nonbinding commitments. The nonbinding commitments of \$2.4 billion are related to 42 A319 and A320 aircraft. These orders may be cancelled which would result in the forfeiture of \$91 million of advance payments provided to the manufacturer. The Company also reached an agreement with the engine manufacturer eliminating all provisions pertaining to firm commitments and support for future Airbus aircraft. While this permits future negotiations on engine pricing with any engine manufacturer, restructured aircraft manufacturer commitments have assumed that aircraft will be delivered with installed engines at list price. As discussed in Note 3, Asset Impairments and Intangible Assets, in 2008 the Company determined these aircraft deposits were completely impaired and wrote-off their entire carrying value because it is highly unlikely that the Company will take these aircraft deliveries, which will require forfeiture of these deposits. The Company's current commitments would require the payment of an estimated \$0.2 billion in 2009, \$0.7 billion for the combined years of 2010 and 2011, \$1.4 billion for the combined years of 2012 and 2013 and \$0.7 billion thereafter.

Table of Contents***Guarantees and Off-Balance Sheet Financing.***

Fuel Consortia. The Company participates in numerous fuel consortia with other carriers at major airports to reduce the costs of fuel distribution and storage. Interline agreements govern the rights and responsibilities of the consortia members and provide for the allocation of the overall costs to operate the consortia based on usage. The consortium (and in limited cases, the participating carriers) have entered into long-term agreements to lease certain airport fuel storage and distribution facilities that are typically financed through tax-exempt bonds (either special facilities lease revenue bonds or general airport revenue bonds), issued by various local municipalities. In general, each consortium lease agreement requires the consortium to make lease payments in amounts sufficient to pay the maturing principal and interest payments on the bonds. As of December 31, 2008, approximately \$1.2 billion principal amount of such bonds were secured by significant fuel facility leases in which United participates, as to which United and each of the signatory airlines has provided indirect guarantees of the debt. As of December 31, 2008, United's contingent exposure was approximately \$226 million principal amount of such bonds based on its recent consortia participation. The Company's contingent exposure could increase if the participation of other carriers decreases. The guarantees will expire when the tax-exempt bonds are paid in full, which ranges from 2010 to 2028. The Company did not record a liability at the time these indirect guarantees were made.

Municipal Bond Guarantees. The Company has guaranteed interest and principal payments on \$270 million of the Denver International Airport bonds, which were originally issued in 1992, but were subsequently redeemed and reissued in 2007 and are due in 2032 unless the Company elects not to extend its lease in which case the bonds are due in 2023. The bonds were issued in two tranches—approximately \$170 million aggregate principal amount of 5.25% discount bonds and \$100 million aggregate principal amount of 5.75% premium bonds. The outstanding bonds and related guarantee are not recorded in the Company's *Statements of Consolidated Financial Position* at December 31, 2008 or 2007. The related lease agreement is recorded on a straight-line basis resulting in ratable accrual of the final \$270 million lease obligation over the lease term. See Note 12, *Debt Obligations and Card Processing Agreements*, for additional information.

There remains an issue as to whether the LAX bondholders have a secured interest in certain of the Company's leasehold improvements. The Company has accrued an amount which it estimates is probable to be approved by the Bankruptcy Court for this matter. See Note 4, *Voluntary Reorganization Under Chapter 11—Significant Matters Remaining to be Resolved in Chapter 11 Cases*, for a discussion of ongoing litigation with respect to certain of this obligation.

Collective Bargaining Agreements.

Approximately 83% of United's employees are represented by various U.S. labor organizations. During 2005, United reached new agreements with its labor unions for new collective bargaining agreements which became effective in January 2005. These agreements are not amendable until January 2010. The Company expects to begin negotiations in 2009.

(15) Lease Obligations

The Company leases aircraft, airport passenger terminal space, aircraft hangars and related maintenance facilities, cargo terminals, other airport facilities, other commercial real estate, office and computer equipment and vehicles.

In connection with fresh-start reporting requirements, aircraft operating leases were adjusted to fair value and a net deferred asset of \$263 million was recorded in the *Statement of Consolidated Financial Position* on the Effective Date, representing the net present value of the differences between stated lease rates in agreed term sheets and the fair market lease rates for similar aircraft. As of December 31, 2008, the balance of the net deferred asset was

\$153 million. These deferred amounts are amortized on a straight-line basis as an adjustment to aircraft rent expense over the individual applicable remaining lease terms, generally from one to 16 years.

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At December 31, 2008, the Company's leased aircraft, scheduled future minimum lease payments under capital leases (substantially all of which are for aircraft) and operating leases having initial or remaining noncancelable lease terms of more than one year were as follows:

	Operating Leases			
	Mainline Aircraft	United Express Aircraft	Non-aircraft	Capital Leases(b)
<i>Number of Leased Aircraft in Operating Fleet</i>				
United and UAL	142	269		69
<i>(In millions)</i>				
<i>Payable during(a)</i>				
2009	\$ 351	\$ 441	\$ 553	\$ 237
2010	323	441	518	509
2011	323	428	457	290
2012	312	383	415	149
2013	291	367	386	141
After 2013	655	1,090	2,798	520
UAL minimum lease payments	\$ 2,255	\$ 3,150	\$ 5,127	1,846
Imputed interest (at rates of 2.1% to 16.0%)				(486)
Present value of minimum lease payments				1,360
Current portion				(168)
Long-term obligations under capital leases				\$ 1,192

(a) Amounts apply to both UAL and United except that United leases one nonoperating aircraft from UAL, resulting in total United mainline aircraft operating lease payments of \$2,258 million. The operating lease payments presented above also include future payments for 12 additional nonoperating aircraft as of December 31, 2008.

(b) Aircraft capital lease obligations are for 58 mainline and 11 United Express aircraft. Includes non-aircraft capital lease payments aggregating \$19 million in years 2009 through 2013 and United Express capital lease obligations of \$6 million in 2009 and \$5 million in each of the years 2010 through 2013.

A portion of United's aircraft lease obligations and related accrued interest (\$306 million in equivalent U.S. dollars at December 31, 2008) is denominated in foreign currencies that expose the Company to risks associated with changes in foreign exchange rates. To hedge against this risk, United has placed foreign currency deposits (\$306 million in equivalent U.S. dollars at December 31, 2008), primarily for euros, to meet foreign currency lease obligations denominated in that respective currency. Since unrealized mark-to-market gains or losses on the foreign currency deposits are offset by the losses or gains on the foreign currency obligations, United has hedged its overall exposure to foreign currency exchange rate volatility with respect to its foreign lease deposits and obligations. In addition, the Company has \$20 million of U.S. dollar denominated deposits to meet U.S. dollar denominated lease obligations. These deposits will be used to repay an equivalent amount of recorded capital lease obligations and are classified as aircraft lease deposits in the *Statements of Consolidated Financial Position*.

Aircraft operating leases have initial terms of five to 26 years, with expiration dates ranging from 2009 through 2024. The Company has facility operating leases that extend to 2032. Under the terms of most leases, the Company has the right to purchase the aircraft at the end of the lease term, in some cases at fair market value and in others, at fair market value or a percentage of cost. See Note 1(i), Summary of Significant Accounting Policies United Express, for additional information related to United Express contracts and Note 2, Company Operational Plans, for information related to accrued rent related to the Company's fleet reductions.

Certain of the Company's aircraft lease transactions contain provisions such as put options giving the lessor the right to require us to purchase the aircraft at lease termination for a certain amount resulting in residual value guarantees. Leases containing this or similar provisions are recorded as capital

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leases on the balance sheet and, accordingly, all residual value guarantee amounts contained in the Company's aircraft leases are fully reflected as capital lease obligations in the *Statements of Consolidated Financial Position*.

The Company has various operating leases for 119 aircraft in which the lessors are trusts established specifically to purchase, finance and lease aircraft to United. These leasing entities related to 108 of these aircraft meet the criteria for VIEs; however, the Company does not hold a significant variable interest in and is not considered the primary beneficiary of the leasing entities since the lease terms are consistent with market terms at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option or similar feature that obligates us to absorb decreases in value, or entitles the Company to participate in increases in the value of the financed aircraft. In addition, of the Company's total aircraft operating leases only 11 of these aircraft leases have leasing entities that meet the criteria for VIEs and allow the Company to purchase the aircraft at other than fair market value. These leases have fixed price purchase options specified in the lease agreements which at the inception of the lease approximated the aircraft's expected fair market value at the option date.

In October 2008, United entered into a \$125 million sale-leaseback involving nine previously unencumbered aircraft. This financing agreement terminates in 2010; however, United has the option to extend the financing agreement for one year provided it meets the minimum loan to asset value requirement. Interest payments are based on LIBOR plus a margin. The lease is considered a capital lease resulting in non-cash increases to capital lease assets and capital lease obligations.

In December 2008, United entered into a \$149 million sale-leaseback involving 15 previously unencumbered aircraft. The final maturities of the leases under this agreement vary and have an average term of seven years. Two of the leased aircraft are being accounted for as operating leases, with the remaining 13 accounted for as capital leases.

Amounts charged to rent expense, net of minor amounts of sublease rentals, were \$926 million and \$928 million and \$934 million and \$936 million for UAL and United, respectively, for the years ended December 31, 2008 and 2007, respectively; \$833 million and \$834 million for UAL and United, respectively, for the eleven months ended December 31, 2006; \$76 million for both UAL and United for the month ended January 31, 2006. Included in Regional affiliates expense in the *Statements of Consolidated Operations* were operating rents for United Express aircraft of \$413 million, \$425 million and \$403 million for the Successor Company for the years ended December 31, 2008 and 2007 and the eleven months ended December 31, 2006, respectively; and \$35 million for the month ended January 31, 2006 for the Predecessor Company.

Table of Contents**(16) Statement of Consolidated Cash Flows Supplemental Disclosures**

Supplemental disclosures of cash flow information and non-cash investing and financing activities for both UAL and United, except as noted, are as follows:

(In millions)	Successor		Predecessor	
	Year Ended December 31,		Period from February 1 to December 31,	Period from January 1 to January 31,
	2008	2007	2006	2006
Cash paid during the period for:				
Interest (net of amounts capitalized)	\$ 412	\$ 614	\$ 703	\$ 35
Income taxes	3	10		
Non-cash transactions:				
Long-term debt incurred to acquire assets	\$	\$	\$ 242	\$
Capital lease obligations incurred to acquire assets	281		155	
Pension and other postretirement changes recorded in other comprehensive income (loss)	(11)		87	(4)
Accrued special distribution on UAL common stock (UAL only)		257		
Interest paid in kind on 6% senior notes	31	15		
Net unrealized gain (loss) on financial instruments recorded in other comprehensive income (loss)	(37)	5	(5)	24
Receivable from unsettled stock sales as of December 31, 2008	15			

In addition to the above non-cash transactions, see Note 4, Voluntary Reorganization Under Chapter 11, Note 5, Common Stockholders' Equity and Preferred Securities, Note 12, Debt Obligations and Card Processing Agreements, and Note 15, Lease Obligations.

(17) Advanced Purchase of Miles

In September 2008, the Company amended certain terms of its agreement with its co-branded credit card partner (the Amendment). In connection with the Amendment, the Company sold an additional \$500 million of pre-purchased miles to its co-branded credit card partner and extended the term of the agreement to December 31, 2017. Prior to the Amendment, our Advanced purchase of miles obligation to our co-branded credit card partner was approximately \$600 million, which represented pre-purchased miles purchased by our co-branded credit card partner. As a result of the additional \$500 million purchase of miles, our co-branded credit card partner has a remaining pre-purchase miles balance of approximately \$1.1 billion as of December 31, 2008. As part of the Amendment, our co-branded credit card partner cannot use the pre-purchased miles for issuance to its cardholders prior to 2011; accordingly, the \$1.1 billion of deferred revenue at December 31, 2008 for the pre-purchased miles is classified as Advanced purchase of miles in the non-current liabilities section of the Company's Statements of Consolidated Financial Position. The Amendment specifies the maximum amount of the pre-purchased miles that our co-branded credit card partner can award to its cardholders each year from 2011 to 2017.

Prior to the Amendment, the pre-purchased miles were reflected as a current liability because the miles pre-purchased by our co-branded credit card partner were generally awarded to cardholders within one year of purchase. As of December 31, 2007, the total Advanced purchase of miles was \$694 million.

United has the right, but is not required, to repurchase the pre-purchased miles from its co-branded credit card partner during the term of the agreement. The Amendment contains termination penalties that may require United to make certain payments and repurchase outstanding pre-purchased miles in cases such as the Company's insolvency, bankruptcy false representations or other material breaches.

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The Amendment requires that our co-branded credit card partner make annual guaranteed payments to United between 2008 and 2017. Between 2008 and 2012, our co-branded credit card partner's annual guaranteed payment is satisfied through the purchase of a specified minimum amount of miles. Afterwards, our co-branded credit card partner's annual guaranteed payment is satisfied through awarding pre-purchased miles, purchasing miles and through other contractual payments. Between 2008 and 2012, our co-branded credit card partner is allowed to carry forward those miles purchased subject to the annual guarantee that have not been awarded to its cardholders. Any miles carried forward subject to this provision will result in a net increase to our Advance purchase of miles obligation in our *Statements of Consolidated Financial Position*.

In connection with the Amendment, the Company received a payment of \$100 million in exchange for the extension of the license previously granted to its co-branded credit card partner to be the exclusive issuer of Mileage Plus Visa cards through 2017. This amount is reflected as Mileage Plus deferred revenue in our *Statements of Consolidated Financial Position* and is being recognized as revenue over the period the fees are earned.

As part of the Amendment, the Company granted its co-branded credit card partner a first lien in specified Mileage Plus assets and a second lien on those assets that are provided as collateral under our credit facility. See Note 12, Debt Obligations and Card Processing Agreements, for additional information regarding these assets. The Amendment may be terminated by either party upon the occurrence of certain events as defined, including but not limited to a change in law that has a material adverse impact, insolvency of one of the parties, or failure of the parties to perform their obligations. The security interest is released if the Company repurchases the full balance of the pre-purchased miles or the Company achieves a certain fixed charge coverage ratio.

In November 2008, the Company further amended its largest credit card processing agreement to allow for the temporary substitution of aircraft collateral in lieu of cash collateral. United also agreed that such security interest collateralizes not only United's obligations under this processing agreement, but also United's obligations under United's Amended and Restated Co-Branded Card Marketing Services Agreement. See Note 12, Debt Obligations and Card Processing Agreements, Credit Card Processing Agreement Covenants, for further discussion of the substitution agreement.

(18) Related Party Transactions

In 2008, United contributed cash of \$257 million to UAL for use in UAL's payment of its January 2008 special distribution to its common shareholders. In addition, UAL made capital contributions of \$173 million to United during 2008 consisting of the following:

In December 2008, UAL contributed 100% of the capital stock United BizJet Holdings, Inc. (Bizjet) to United, which had a book value of \$10 million. In accordance with SFAS 141, United's results of operations reflect the results of operations of Bizjet as though the contribution from UAL occurred on January 1, 2006, the earliest period presented. Subsequently, United and Bizjet entered into a merger agreement under which Bizjet was merged with and into United, with United being the surviving company. This merger was effective December 31, 2008. The only impact that this contribution will have on United's previously reported results of operations in 2008 is an increase to income of \$29 million in the three and six month periods ended June 30, 2008 and the nine month period ended September 30, 2008.

In addition, UAL contributed cash of \$163 million to United. This contribution included \$107 million of proceeds that UAL generated from the issuance and sale of UAL common stock.

At December 31, 2006, United, through one of its wholly-owned subsidiaries, Mileage Plus, Inc. (MPI), had a \$200 million note receivable from UAL. During 2007, UAL, United and MPI executed a note payment agreement to

pay and thereby cancel this note payable (plus accrued interest). This transaction had no effect in the UAL consolidated financial statements and was treated as a forgiveness

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of debt in United s financial statements, resulting in a decrease in paid in capital equal to the total decrease in notes and interest receivable.

(19) Special Items

2008

See Note 3, Asset Impairments and Intangible Assets, for a discussion of the asset impairments and other special charges recorded in 2008.

2007

SFO Municipal Bonds Security Interest. In the first quarter of 2007, the Company recorded a \$3 million benefit to operating income as a special item to reduce the Company s recorded obligation for the SFO municipal bonds to the amount considered probable of being allowed by the Bankruptcy Court.

LAX Municipal Bonds Security Interest. In the first and third quarters of 2007, the Company recorded special items of \$19 million and \$8 million, respectively, as favorable adjustments to operating income to adjust the Company s recorded obligation for the LAX municipal bonds to the amount considered probable of being allowed by the Bankruptcy Court. See Note 4, Voluntary Reorganization Under Chapter 11 Significant Matters Remaining to be Resolved in Chapter 11 Cases for further information related to the SFO and LAX litigation.

Change in Estimate. In the third quarter of 2007, the Company recorded a change in estimate of \$59 million for certain liabilities relating to bankruptcy administrative claims. This adjustment resulted directly from the progression of the Company s ongoing efforts to resolve certain bankruptcy pre-confirmation contingencies. Therefore, the Company recorded a special operating revenue credit of \$45 million and a special operating expense credit of \$14 million for these changes in estimate.

2006

SFO Municipal Bonds Security Interest. In October 2006, the Bankruptcy Court issued an order declaring that the owners of certain municipal bonds, issued before the Petition Date to finance construction of certain leasehold improvements at SFO, should be allowed a secured claim of approximately \$27 million, based upon the court-determined fair value of the Company s underlying leasehold. After the denial of post-trial motions, both parties have appealed to the District Court. In accordance with SOP 90-7, as of the Effective Date, the Company recorded \$60 million as its best estimate of the probable security interest to be awarded in this unresolved litigation. In the third quarter of 2006 the Company recorded a special item of \$30 million benefit to operating income, to reduce the Company s recorded obligation for the SFO municipal bonds to the amount the Company estimated liability at that time.

ALPA Non-Qualified Pension Plan. In the fourth quarter of 2006, the Company recorded a special item of \$24 million as a benefit to operating income to reduce the Company s recorded obligation for this matter. This adjustment was based on the receipt of a favorable court ruling in ongoing litigation and the Company s determination that it was probable the Company would not be required to satisfy this obligation.

LAX Municipal Bonds Security Interest. In the fourth quarter of 2006, based on litigation developments, the Company recorded a special item of \$18 million as a charge to operating income to adjust the Company s recorded obligation for the LAX municipal bonds to the amount the Company estimated was probable to be allowed by the Bankruptcy Court.

(20) Investments

In the fourth quarter of 2007, United, along with certain other major air carriers, sold its interests in Aeronautical Radio, Inc. (ARINC) to Radio Acquisition Corp., an affiliate of The Carlyle Group.

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ARINC is a provider of transportation communications and systems engineering. The transaction generated proceeds of \$128 million and resulted in a pre-tax gain of \$41 million.

Investments at December 31, 2008 and 2007 include \$46 million and \$91 million of the Company's previously issued EETC debt securities that the Company repurchased in 2007. These securities remain outstanding and are classified as available-for-sale. An unrealized loss of \$37 million and \$5 million to record these securities at fair value has been recognized in other comprehensive income during 2008 and 2007, respectively. See Note 12, Debt Obligations and Card Processing Agreements, for additional information.

(21) Distribution Payable

In December 2007, the UAL Corporation Board of Directors approved a special distribution of \$2.15 per share to holders of UAL common stock. The distribution, of approximately \$257 million, was paid on January 23, 2008 to the holders of record of UAL common stock on January 9, 2008. The distribution, which is characterized as a return of capital for income tax purposes, was accrued at December 31, 2007 in UAL's *Statements of Consolidated Financial Position*.

In January 2008, United's Board of Directors approved a dividend of up to \$260 million to UAL to fund the January 23, 2008 special distribution to UAL common stockholders. As such, United did not accrue the distribution at December 31, 2007 in its *Statements of Consolidated Financial Position*.

(22) UAL Selected Quarterly Financial Data (Unaudited)

(In millions, except per share amounts)	Quarter Ended			
	March 31	June 30	September 30	December 31
2008:				
Operating revenues	\$ 4,711	\$ 5,371	\$ 5,565	\$ 4,547
Loss from operations	(441)	(2,694)	(491)	(812)
Net loss	(537)	(2,729)	(779)	(1,303)
Basic and diluted loss per share	\$ (4.45)	\$ (21.47)	\$ (6.13)	\$ (9.91)
2007:				
Operating revenues	\$ 4,373	\$ 5,213	\$ 5,527	\$ 5,030
Earnings (loss) from operations	(92)	537	656	(64)
Net income (loss)	(152)	274	334	(53)
Basic earnings (loss) per share	\$ (1.32)	\$ 2.31	\$ 2.82	\$ (0.47)
Diluted earnings (loss) per share	\$ (1.32)	\$ 1.83	\$ 2.21	\$ (0.47)

UAL's quarterly financial data is subject to seasonal fluctuations and historically, its results in the second and third quarters are better as compared to the first and fourth quarters of each year since the latter quarters normally reflect weaker demand. UAL's quarterly results were impacted by the following significant items:

2008

The second quarter was negatively impacted by impairment charges of \$2.5 billion related to the Company's interim impairment testing of its intangible assets. In addition, the Company incurred \$110 million of severance and employee benefit charges, as well as \$26 million of purchased services charges. Offsetting these impacts was a \$29 million gain from a litigation-related settlement gain.

The third quarter included reversals of \$16 million of intangible asset impairments recorded during the second quarter. The Company also recorded an additional \$6 million of severance

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charges, as well as \$8 million of losses on the sale of assets and \$7 million of lease termination and other charges.

During the fourth quarter, the Company recorded \$107 million of impairment charges, \$18 million of severance, \$53 million of employee benefit charges, \$34 million of accelerated depreciation related to aircraft groundings and \$18 million of lease termination and other special charges. In addition, an \$11 million net gain on asset sales partially offset these unfavorable expenses.

2007

The first and third quarters include \$22 million and \$8 million, respectively, of favorable adjustments to operating income for the SFO and LAX municipal bonds.

The third quarter was impacted by a special operating revenue credit of \$45 million and a special operating expense credit of \$14 million for changes in estimates for certain liabilities relating to bankruptcy administrative claims.

The fourth quarter includes a gain of \$41 million from the sale of ARINC.

The Company's change in the expiration period for unused frequent flyer miles increased revenues by approximately \$28 million, \$47 million, \$50 million and \$121 million in each quarter of 2007, respectively.

See Note 4, Voluntary Reorganization Under Chapter 11 and Note 19, Special Items, for further discussion of these items.

(23) Subsequent Events

2009 Financing Initiatives

In January 2009, the Company completed a \$95 million sale-leaseback agreement for nine aircraft. The Company expects this transaction to be treated as a capital lease.

In January 2009, the Company generated net proceeds of \$62 million from the issuance of 4.0 million shares and settlement of unsettled trades at December 31, 2008 under its \$200 million common stock distribution agreement. After issuance of these shares, the Company had issued shares for gross proceeds of \$172 million of the \$200 million available under this stock offering, leaving \$28 million available for future issuance under this program, as further discussed in Note 5, Common Stockholders' Equity and Preferred Securities.

In January 2009, the Company entered into an amendment to its Chicago O'Hare International Airport cargo building site lease with the City of Chicago. The Company agreed to vacate its current cargo facility at O'Hare to allow the land to be used for the development of a future runway. In January 2009, the Company received approximately \$160 million from O'Hare in accordance with the lease amendment. In addition, the lease amendment requires that the City of Chicago provide the Company with another site at O'Hare upon which a replacement cargo facility could be constructed.

United's card processing agreement with American Express expired on February 28, 2009 and was replaced by a new agreement on March 1, 2009 as discussed in Note 12, Debt Obligations and Card Processing Agreements.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

UAL and United each maintain controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted by UAL and United to the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported, within the time periods specified by the SEC s rules and forms, and is accumulated and communicated to management including the Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure. The management of UAL and United, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation to conclude with reasonable assurance that UAL s and United s disclosure controls and procedures were designed and operating effectively to report the information each company is required to disclose in the reports they file with the SEC on a timely basis. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer of UAL and United have concluded that as of December 31, 2008, disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2008

There were no changes in UAL s or United s internal control over financial reporting during their most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, their internal control over financial reporting.

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UAL Corporation Management Report on Internal Control Over Financial Reporting

March 2, 2009

To the Stockholders of UAL Corporation
Chicago, Illinois

The management of UAL Corporation and subsidiaries (UAL) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management used the framework set forth in *Internal Control Integrated Framework* issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal controls over financial reporting were effective as of December 31, 2008.

Our independent registered public accounting firm, Deloitte & Touche LLP, who audited UAL s consolidated financial statements included in this Form 10-K, has issued a report on UAL s internal control over financial reporting, which is included herein.

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United Air Lines, Inc. Management Report on Internal Control Over Financial Reporting

March 2, 2009

To the Stockholder of United Air Lines, Inc.
Chicago, Illinois

The management of United Air Lines, Inc. (United) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the design and operating effectiveness of our internal control over financial reporting as of December 31, 2008. In making this assessment, management used the framework set forth in *Internal Control Integrated Framework* issued by the Committee of the Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal controls over financial reporting were effective as of December 31, 2008.

This annual report does not include an attestation report of United's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by United's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit United to provide only management's report in this annual report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
UAL Corporation
Chicago, Illinois

We have audited the internal control over financial reporting of UAL Corporation and subsidiaries (the Company) as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated March 2, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
Chicago, Illinois
March 2, 2009

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ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Certain information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2009 Annual Meeting of Stockholders. Information regarding the executive officers of UAL is included in Part I of this Form 10-K under the caption "Executive Officers of the Registrant."

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2009 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2009 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Information required by this item with respect to UAL is incorporated by reference from UAL's definitive proxy statement for its 2009 Annual Meeting of Stockholders.

Information required by this item with respect to United is omitted pursuant to General Instruction I(2)(c) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The Audit Committee of the UAL Board of Directors adopted a policy on pre-approval of services of independent accountants in October 2002. The policy provides that the Audit Committee shall pre-approve all audit and non-audit services to be provided to the Company and its subsidiaries and affiliates by its auditors. The process by which this is carried out is as follows:

For recurring services, the Audit Committee reviews and pre-approves Deloitte & Touche LLP's annual audit services and employee benefit plan audits in conjunction with the Committee's annual appointment of the outside auditors. The materials include a description of the services along with related fees. The Committee also reviews and pre-approves

other classes of recurring services along with fee thresholds for pre-approved services. In the event that the pre-approval fee thresholds are met and additional services are required prior to the next scheduled Committee meeting, pre-approvals of additional services follow the process described below.

Any requests for audit, audit-related, tax and other services not contemplated with the recurring services approval described above must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chairman of the Audit Committee. The Chairman must update the

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Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

On a periodic basis, the Audit Committee reviews the status of services and fees incurred year-to-date and a list of newly pre-approved services since its last regularly scheduled meeting. Our Audit Committee has considered whether the 2008 non-audit services provided by Deloitte & Touche LLP are compatible with maintaining auditor independence.

The aggregate fees billed for professional services rendered by Deloitte & Touche LLP in 2008 and 2007 are as follows:

Service	2008	2007
Audit Fees	\$ 3,807,300	\$ 3,420,740
Audit-Related Fees	2,065,479	1,266,400
Tax Fees	384,850	546,005
All Other Fees	165,800	165,800
Total	\$ 6,423,429	\$ 5,398,945

AUDIT FEES

Fees for audit services related to 2008 and 2007 consist of audits of the Company's consolidated financial statements, limited reviews of the Company's consolidated quarterly financial statements, statutory audits of the Schedule of Passenger Facility Charges and statutory audits of certain subsidiaries' financial statements. The 2008 and 2007 audit fees also include the impact of the attestation work performed by Deloitte & Touche related to Sarbanes-Oxley.

AUDIT-RELATED FEES

Fees for audit-related services billed in 2008 and 2007 consisted of audits of the maintenance operation center, employee benefit plans and the United Airlines Foundation.

TAX FEES

Fees for tax services in 2008 and 2007 consisted of assistance with tax issues in certain foreign jurisdictions, tax consultation and bankruptcy tax assistance.

ALL OTHER FEES

Fees for all other services billed in 2008 and 2007 consisted of the preparation of employee payroll tax filings.

All of the services in 2008 and 2007 under the Audit Related, Tax and All Other Fees categories above have been approved by the Audit Committee pursuant to paragraph (c)(7)(i)(c) of Rule 2-01 of Regulation S-X of the Exchange Act.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.

- (a)(1) *Financial Statements.* The financial statements required by this item are listed in Item 8, *Financial Statements and Supplementary Data* herein.
- (2) *Financial Statement Schedules.* The financial statement schedule required by this item is listed below and included in this report after the signature page hereto.

Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2008 and 2007, the month ended January 31, 2006 and the eleven month period ended December 31, 2006.

All other schedules are omitted because they are not applicable, not required or the required information is shown in the consolidated financial statements or notes thereto.

- (b) *Exhibits.* The exhibits required by this item are listed in the Exhibit Index which immediately precedes the exhibits filed with this Form 10-K and is incorporated herein by this reference. Each management contract or compensatory plan or arrangement is denoted with a in the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, each registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

UAL CORPORATION
UNITED AIR LINES, INC.
(Registrants)

/s/ Glenn F. Tilton
Glenn F. Tilton
Chairman of the Board, President
and Chief Executive Officer

Date: March 2, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of UAL Corporation and in the capacities and on the date indicated.

/s/ Glenn F. Tilton

Glenn F. Tilton
Chairman of the Board, President
and Chief Executive Officer
(principal executive officer)

/s/ Kathryn A. Mikells

Kathryn A. Mikells
Senior Vice President and
Chief Financial Officer
(principal financial and accounting officer)

/s/ Robert D. Krebs

Robert D. Krebs
Director

/s/ Richard J. Almeida

Richard J. Almeida
Director

/s/ Robert S. Miller, Jr.

Robert S. Miller, Jr.
Director

/s/ Mary K. Bush

Mary K. Bush
Director

/s/ James J. O Connor

James J. O Connor
Director

/s/ Stephen R. Canale

Stephen R. Canale
Director

/s/ David J. Vitale

David J. Vitale
Director

/s/ W. James Farrell

/s/ John H. Walker

W. James Farrell
Director

John H. Walker
Director

/s/ Walter Isaacson

/s/ Stephen A. Wallach

Walter Isaacson
Director

Stephen A. Wallach
Director

Date: March 2, 2009

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of United Air Lines, Inc. and in the capacities and on the date indicated.

/s/ Glenn F. Tilton

Glenn F. Tilton
Chairman of the Board, President
and Chief Executive Officer
(principal executive officer)

/s/ Kathryn A. Mikells

Kathryn A. Mikells
Senior Vice President and
Chief Financial Officer
(principal financial officer)

/s/ David M. Wing

David M. Wing
Vice President and Controller
(principal accounting officer)

/s/ Graham W. Atkinson

Graham W. Atkinson
Director

/s/ Peter D. McDonald

Peter D. McDonald
Director

/s/ John P. Tague

John P. Tague
Director

Date: March 2, 2009

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Valuation and Qualifying Accounts
For the Years Ended December 31, 2008 and 2007,
the Eleven Month Period Ended December 31, 2006,
and the Month Ended January 31, 2006

(In millions)				
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions(a)	Balance at End of Period
Reserves deducted from assets to which they apply:				
Allowance for doubtful accounts (UAL):				
2008 (Successor)	\$ 27	\$ 25	\$ 28	\$ 24
2007 (Successor)	27	21	21	27
2006 (Successor)	27	18	18	27
January 2006 (Predecessor)	23	6	2	27
Allowance for doubtful accounts (United):				
2008 (Successor)	\$ 27	\$ 25	\$ 28	\$ 24
2007 (Successor)	27	21	21	27
2006 (Successor)	27	18	18	27
January 2006 (Predecessor)	22	6	1	27
Obsolescence allowance spare parts (UAL and United):				
2008 (Successor)	\$ 25	\$ 26	\$ 3	\$ 48
2007 (Successor)	6	19		25
2006 (Successor)		6		6
January 2006 (Predecessor)	66		66(b)	
Valuation allowance for deferred tax assets (UAL):				
2008 (Successor)	\$ 1,815	\$ 1,126	\$	\$ 2,941
2007 (Successor)	2,248		433	1,815
2006 (Successor)	2,310		62	2,248
January 2006 (Predecessor)	10,618	180	8,488(b)	2,310

Valuation allowance for deferred tax assets**(United):**

2008 (Successor)	\$	1,757	\$	1,109	\$		\$	2,866
2007 (Successor)		2,190				433		1,757
2006 (Successor)		2,252				62		2,190
January 2006 (Predecessor)		10,494		155		8,397(b)		2,252

(a) Deduction from reserve for purpose for which reserve was created.

(b) Amounts include adjustments as required for the adoption of fresh- start reporting on February 1, 2006.

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EXHIBIT INDEX

- 3.1 Restated Certificate of Incorporation of UAL Corporation
- *3.2 Restated Certificate of Incorporation of United Air Lines, Inc. (filed as Exhibit 3.1 to United's Form 8-K filed February 1, 2006, Commission file number 1-11355, and incorporated herein by reference)
- *3.3 Amended and Restated Bylaws of UAL Corporation (filed as Exhibit 3.2 to UAL's Form 8-K filed February 1, 2006, Commission file number 1-6033, and incorporated herein by reference)
- *3.4 Amended and Restated Bylaws of United Air Lines, Inc. (filed as Exhibit 3.2 to United's Form 8-K filed February 1, 2006, Commission file number 1-11355, and incorporated herein by reference)
- *4.1 Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated as of February 2, 2007 by and among United Air Lines, Inc., UAL Corporation, certain subsidiaries of United Air Lines, Inc. and UAL Corporation, as named therein, the Lenders named therein, JPMorgan Chase Bank, et al. (filed as Exhibit 4.1 to UAL's Form 8-K filed February 5, 2007, Commission file number 1-6033, and incorporated herein by reference)
- *4.2 First Amendment to Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated December 5, 2007 by and among United Air Lines, Inc., UAL Corporation and certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, et al. (filed as Exhibit 4.1 to UAL's Form 8-K filed December 7, 2007, Commission file number 1-6033, and incorporated herein by reference)
- *4.3 Second Amendment to the Amended and Restated Revolving Credit, Term Loan and Guaranty Agreement, dated May 5, 2008 by and among United Air Lines, Inc., UAL Corporation and certain subsidiaries of United Air Lines, Inc. and UAL Corporation as named therein, the Lenders named therein, JP Morgan Chase Bank, et al. (filed as Exhibit 4.1 to UAL's Form 8-K filed May 7, 2008, Commission file number 1-6033, and incorporated herein by reference)
- *4.4 Indenture dated as of February 1, 2006 among UAL Corporation as Issuer, United Air Lines, Inc. as Guarantor and the Bank of New York Trust Company, N.A. as Trustee, providing for issuance at 6% Senior Notes due 2031 and 8% Contingent Senior Notes (filed as Exhibit 4.2 to UAL's Form 8-K filed February 1, 2006, Commission file number 1-6033, and incorporated herein by reference)
- *4.5 ORD Indenture dated as of February 1, 2006 among UAL Corporation as Issuer, United Air Lines, Inc. as Guarantor and the Bank of New York Trust Company, N.A. as Trustee, providing for issuance at 5% Senior Convertible Notes due 2021 (filed as Exhibit 4.3 to UAL's Form 8-K filed February 1, 2006, Commission file number 1-6033, and incorporated herein by reference)
- *4.6 First Supplement to ORD Indenture dated February 16, 2006 among UAL Corporation, United Air Lines, Inc. as Guarantor and the Bank of New York Trust Company, N.A. as Trustee (filed as Exhibit 99.1 to UAL's Form 8-K filed February 21, 2006, Commission file number 1-6033, and incorporated herein by reference)

- *4.7 Indenture dated as of July 25, 2006 among UAL Corporation as Issuer, United Air Lines, Inc. as Guarantor and The Bank of New York Trust Company, N.A., as Trustee, providing for issuance of 4.50% Senior Limited-Subordination Convertible Notes due 2021 (filed as Exhibit 4.1 to UAL's Form 8-K filed July 27, 2006, Commission file number 1-6033, and incorporated herein by reference)

- * 10.1 UAL Corporation Success Sharing Program Performance Incentive Plan effective January 1, 2007 (filed as Exhibit 99.1 to UAL's Form 8-K filed March 26, 2007, Commission file number 1-6033, and incorporated herein by reference)

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- * 10.2 UAL Corporation Success Sharing Program Performance Incentive Plan Amendment No. 1 dated January 1, 2008 (filed as Exhibit 10.2 to UAL's Form 10-K for the year ended December 31, 2007, Commission file number 1-6033, and incorporated herein by reference)
- * 10.3 UAL Corporation Success Sharing Program Performance Incentive Plan Amendment No. 2 (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended September 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
- 10.4 UAL Corporation 2009 Annual Incentive Plan
- * 10.5 UAL Corporation Success Sharing Program Profit Sharing Plan effective January 1, 2006 (filed as Exhibit 99.2 to UAL's Form 8-K filed March 26, 2007, Commission file number 1-6033, and incorporated herein by reference)
- * 10.6 UAL Corporation Executive Severance Plan dated April 1, 2007 (filed as Exhibit 10.1 to UAL's Form 8-K filed March 26, 2007, Commission file number 1-6033, and incorporated herein by reference)
- * 10.7 UAL Corporation Executive Severance Plan Amendment No. 1 dated January 1, 2008 (filed as Exhibit 10.5 to UAL's Form 10-K for the year ended December 31, 2007, Commission file number 1-6033, and incorporated herein by reference)
- * 10.8 Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2002, Commission file number 1-6033, and incorporated herein by reference)
- * 10.9 Amendment No. 1 dated December 8, 2002 to the Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.44 to UAL's Form 10-K for the year ended December 31, 2002, Commission file number 1-6033, and incorporated herein by reference)
- * 10.10 Amendment No. 2 dated February 17, 2003 to the Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.45 to UAL's Form 10-K for the year ended December 31, 2002, Commission file number 1-6033, and incorporated herein by reference)
- * 10.11 Amendment No. 3 dated September 29, 2006 to the Employment Agreement dated September 5, 2002, by and among United Air Lines, Inc., UAL Corporation, and Glenn F. Tilton (filed as Exhibit 99.2 to UAL's Form 8-K filed on September 29, 2006, Commission file number 1-6033, and incorporated herein by reference)
- * 10.12 Amendment No. 4 dated September 25, 2008 to the Employment Agreement dated September 5, 2002 by and among United Air Lines, Inc., UAL Corporation and Glenn F. Tilton (filed as Exhibit 10.3 to UAL's Form 10-Q for the quarter ended September 30, 2008, Commission file no. 1-6033, and incorporated herein by reference)
- * 10.13 Employment Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit 99.3 to UAL's Form 8-K filed on

September 29, 2006, Commission file number 1-6033, and incorporated herein by reference)

- * 10.14 Amendment No. 1 dated May 15, 2008 to the Employment Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-6033, and incorporated herein by reference)

- * 10.15 Peter D. McDonald Secular Trust Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit A to Exhibit 99.3 to UAL's Form 8-K filed on September 29, 2006, Commission file number 1-6033, and incorporated herein by reference)

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- * 10.16 Amendment No. 1 dated March 12, 2007 to the Peter D. McDonald Secular Trust Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit 10.48 to UAL's Form 10-K for the year ended December 31, 2006, Commission file number 1-6033, and incorporated herein by reference)
- * 10.17 Amendment No. 2 dated June 4, 2007 to the Peter D. McDonald Secular Trust Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit 10.1 to UAL's Form 10-Q for the quarter ended June 30, 2007, Commission file number 1-6033, and incorporated herein by reference)
- * 10.18 Amendment No. 3 dated May 15, 2008 to the Peter D. McDonald Secular Trust Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
- 10.19 Amendment No. 4 dated December 18, 2008 to the Peter D. McDonald Secular Trust Agreement dated September 29, 2006 by and among UAL Corporation, United Air Lines, Inc. and Peter D. McDonald
- 10.20 Separation Agreement dated October 9, 2008 by and among UAL Corporation, United Air Lines, Inc. and Frederic F. Brace
- 10.21 Description of Officer Benefits
- * 10.22 UAL Corporation 2006 Management Equity Incentive Plan (filed as Exhibit 10.1 to UAL's Form 8-K filed February 1, 2006, Commission file number 1-6033, and incorporated herein by reference)
- * 10.23 UAL Corporation 2008 Incentive Compensation Plan (filed as Appendix A to UAL's Definitive Proxy filed on April 25, 2008, Commission file number 1-6033, and incorporated herein by reference)
- * 10.24 Form of Restricted Share Award Notice pursuant to the UAL Corporation 2008 Incentive Compensation Plan (filed as Exhibit 10.4 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
- * 10.25 Form of Stock Option Award Notice pursuant to the UAL Corporation 2008 Incentive Compensation Plan (filed as Exhibit 10.5 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
- * 10.26 Form of Restricted Stock Unit Award Notice pursuant to the UAL Corporation 2008 Incentive Compensation Plan (filed as Exhibit 10.6 to UAL's Form 10-Q for the quarter ended June 30, 2008, Commission file number, 1-6033, and incorporated herein by reference)
- 10.27 Description of Benefits for UAL Corporation Directors
- * 10.28 UAL Corporation 2006 Directors Equity Incentive Plan (filed as Exhibit 10.2 to UAL's Form 8-K dated February 1, 2006, Commission file number 1-6033, and incorporated herein by reference)

- * 10.29 Amendment No. 1 to the UAL Corporation 2006 Directors Equity Incentive Plan (filed as Exhibit 10.2 to UAL's Form 10-Q for the quarter ended September 30, 2008, Commission file number 1-6033, and incorporated herein by reference)
- * 10.30 Letter Agreement dated April 28, 1994 between UAL Corporation and James J. O'Connor (filed as Exhibit 10.44 to UAL's Form 10-K for year ended December 31, 2005, Commission file number 1-6033, and incorporated herein by reference)
- 12.1 UAL Corporation Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements
- 12.2 United Air Lines, Inc. Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividend Requirements
- 21 List of UAL Corporation and United Air Lines, Inc. Subsidiaries

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- 23.1 Consent of Independent Registered Public Accounting Firm for UAL Corporation
- 23.2 Consent of Independent Registered Public Accounting Firm for United Air Lines, Inc.
- 31.1 Certification of the Principal Executive Officer of UAL Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
- 31.2 Certification of the Principal Financial Officer of UAL Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
- 31.3 Certification of the Principal Executive Officer of United Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
- 31.4 Certification of the Principal Financial Officer of United Pursuant to 15 U.S.C. 78m(a) or 78o(d) (Section 302 of the Sarbanes-Oxley Act of 2002)
- 32.1 Certification of the Chief Executive Officer and Chief Financial Officer of UAL Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certification of the Chief Executive Officer and Chief Financial Officer of United Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

* Previously filed

Indicates management contract or compensatory plan or arrangement