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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 1, 2010

UNITED CONTINENTAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-06033**	**36-2675207**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

77 W. Wacker Drive, Chicago, IL	**60601**
(Address of principal executive offices)	**(Zip Code)**

(312) 997-8000
Registrant's telephone number, including area code

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introductory Note

On October 1, 2010, Continental Airlines, Inc. (“Continental”) became a wholly-owned subsidiary of United Continental Holdings, Inc. (formerly UAL Corporation and referred to herein as “UAL”), as a result of a merger of JT Merger Sub Inc. (“Merger Sub”), a wholly-owned subsidiary of UAL, with and into Continental (the “Merger”). In connection with the Merger, UAL changed its name from UAL Corporation to United Continental Holdings, Inc. to reflect that both United Air Lines, Inc. (“United”) and Continental are its wholly-owned subsidiaries. The Merger was effected pursuant to an Agreement and Plan of Merger dated as of May 2, 2010, entered into by and among UAL, Continental and Merger Sub (the “Merger Agreement”).

Item 1.01 Entry into a Material Definitive Agreement.

On October 1, 2010, concurrent with the completion of the Merger, UAL and Continental entered into:

- the first supplemental indenture with The Bank of New York Mellon Trust Company, N.A., as trustee (the “5% Convertible Notes First Supplemental Indenture”), to the indenture governing Continental’s 5% Convertible Notes due 2023 (the “5% Convertible Notes”);
- the first supplemental indenture with Wilmington Trust Company, as trustee (the “6% Convertible Debentures First Supplemental Indenture”), to the indenture governing Continental’s 6% Convertible Junior Subordinated Debentures due 2030 (the “6% Convertible Debentures”); and
- the fourth supplemental indenture with The Bank of New York Mellon Trust Company, N.A., as trustee (the “4.5% Convertible Notes Fourth Supplemental Indenture” and, together with the 5% Convertible Notes First Supplemental Indenture and the 6% Convertible Debentures First Supplemental Indenture, the “Supplemental Indentures”), to the indenture governing Continental’s 4.5% Convertible Notes due 2015 (the “4.5% Convertible Notes” and, together with the 5% Convertible Notes and the 6% Convertible Debentures, the “Continental Convertible Securities”).

Pursuant to the Supplemental Indentures, each series of Continental Convertible Securities became convertible into shares of common stock, par value $0.01, of UAL (“UAL Common Stock”), in lieu of Class B common stock, par value $0.01, of Continental (“Continental Common Stock”) as set forth in the applicable Supplemental Indenture. The description of the Supplemental Indentures contained herein does not purport to be complete and is qualified in its entirety by reference to the 5% Convertible Notes First Supplemental Indenture, 6% Convertible Debentures First Supplemental Indenture and the 4.5% Convertible Notes Fourth Supplemental Indenture, which are filed as Exhibit 4.1, Exhibit 4.2 and Exhibit 4.3, respectively, hereto and are incorporated herein by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 1, 2010, UAL’s wholly-owned subsidiary, Merger Sub, merged with and into Continental, with Continental continuing as the surviving corporation and as a wholly-owned subsidiary of UAL.

Pursuant to the terms of the Merger Agreement, each outstanding share of Continental Common Stock was converted into and became exchangeable for 1.05 fully paid and nonassessable shares of UAL Common Stock with any fractional shares to be paid in cash. UAL is issuing approximately 148 million shares of UAL Common Stock to former holders of Continental Common Stock. Based on the closing price of $23.66 per share of UAL Common Stock on The NASDAQ Global Select Market (“NASDAQ”) on September 30, 2010, the last trading day before the closing of the Merger, the aggregate value of the consideration paid in connection with the Merger to former holders of Continental Common Stock was approximately $3.5 billion.

Upon the closing of the Merger, Continental became a wholly-owned subsidiary of UAL and the shares of Continental Common Stock, which previously traded under the ticker symbol “CAL” on the New York Stock Exchange (the “NYSE”), ceased trading on, and were delisted from, the NYSE.

As a member of Star Alliance, United has had an extensive commercial relationship with Continental even prior to the Merger, particularly through a codesharing agreement, reciprocal frequent flyer program participation and reciprocal airport lounge access. United is also part of a group of nine carriers, including Continental, that holds antitrust immunity to work closely together to deliver highly competitive international flight schedules, fares and service, as well as antitrust immunity to establish a trans-Atlantic joint venture with United, Lufthansa and Air Canada.

The description of the Merger contained in this Item 2.01 does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which was filed as Exhibit 2.1 to UAL's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "Commission") on May 4, 2010 and is incorporated herein by reference.

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.

On September 20, 2010, in anticipation of the completion of the Merger, UAL notified NASDAQ of its intention to voluntarily delist UAL Common Stock from NASDAQ and to transfer the listing of UAL Common Stock to the NYSE beginning on October 1, 2010.

On September 30, 2010, UAL filed a notification of removal from listing on NASDAQ on Form 25 with the Commission to suspend the trading of UAL Common Stock on the NASDAQ as of the commencement of trading on the NYSE on October 1, 2010. UAL Common Stock commenced trading on the NYSE under the ticker symbol "UAL" on October 1, 2010.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Board of Directors

Upon consummation of the Merger and pursuant to the Merger Agreement:

- seven members of the current Board of Directors of Continental (namely, Jeffery A. Smisek, Kirbyjon H. Caldwell, Carolyn Corvi, Henry L. Meyer, III, Oscar Munoz, Laurence E. Simmons and Charles A. Yamarone) were appointed to the Board of Directors of UAL (the "UAL Board"); and
- four members of the current UAL Board (namely, Richard J. Almeida, Mary K. Bush, Robert D. Krebs and Robert S. Miller) resigned from the UAL Board.

Resignation of Officers

Upon the completion of the Merger, Graham Atkinson, Kathryn A. Mikells and John P. Tague resigned from their positions with UAL and United. Mr. Atkinson had served as Executive Vice President of UAL and President of Mileage Plus, Ms. Mikells had served as Executive Vice President and Chief Financial Officer of UAL and Mr. Tague had served as President of United and Executive Vice President of UAL. In addition, Glenn F. Tilton retired as President and Chief Executive Officer of UAL and assumed the role of non-executive Chairman of the UAL Board.

Thomas J. Sabatino, Jr. will serve as Executive Vice President and General Counsel on an interim basis until December 31, 2010 or such earlier date as his services are no longer required. Accordingly, UAL will not enter into a new employment agreement with Mr. Sabatino in the form that will apply to other executive vice presidents of UAL (as described below). Instead, Mr. Sabatino will receive the payments and benefits set forth in his Management Retention Agreement, dated as of May 2, 2010, as previously disclosed in UAL's Form S-4 filed August 16, 2010.

The resignations of the above named officers and directors were not a result of any disagreements with UAL on any matter relating to UAL's operations, policies or practices.

Appointment of Chief Executive Officer, Chief Financial Officer, Chief Operations Officer and Principal Accounting Officer

Following the completion of the Merger, Jeffery A. Smisek became President and Chief Executive Officer of UAL, Zane C. Rowe became Executive Vice President and Chief Financial Officer of UAL, Peter D. McDonald became Executive Vice President - Chief Operations Officer of UAL, and Chris T. Kenny became Vice President, Controller and principal accounting officer of UAL.

Mr. Smisek, age 56, joined Continental in 1995. From January 2010 until the Merger, Mr. Smisek served as Chairman of the Board, President and Chief Executive Officer of Continental. He served as President and Chief Operating Officer from September 2008 through December 2009 and President from December 2004 through September 2008. Mr. Smisek has served as a Director of Continental since December 2004.

Mr. Rowe, age 39, joined Continental in 1993. From August 2008 until the Merger, Mr. Rowe served as Executive Vice President and Chief Financial Officer of Continental. He served as Senior Vice President — Network Strategy from September 2006 through August 2008, Vice President — Network Strategy from August 2005 through September 2006, and Vice President — Financial Planning and Analysis from September 2003 through August 2005.

Mr. McDonald, age 59, joined UAL and United in 1969. From May 2008 until the Merger, Mr. McDonald served as Executive Vice President and Chief Administrative Officer of UAL and United. From May 2004 to May 2008, Mr. McDonald served as Executive Vice President and Chief Operating Officer of UAL and United. From September 2002 to May 2004, Mr. McDonald served as Executive Vice President—Operations of UAL and United.

Mr. Kenny, age 46, joined Continental in 1997. From September 2003 until the Merger, Mr. Kenny served as Vice President and Controller of Continental. He served as Staff Vice President and Controller of Continental from June 1999 through September 2003.

There are no arrangements or understandings between any of Messrs. Smisek, Rowe, McDonald or Kenny and any other person pursuant to which such person was selected as an officer. None of Messrs. Smisek, Rowe, McDonald or Kenny has any family relationship with any director or other executive officer of UAL or any person nominated or chosen by UAL to become a director or executive officer. There are no transactions in which any of Messrs. Smisek, Rowe, McDonald or Kenny has an interest requiring disclosure under Item 404(a) of Regulation S-K, other than, in the case of Messrs. Smisek, Rowe and Kenny, in their role as officers of Continental in connection with the Merger and other transactions between Continental and UAL consistent with the commercial relationship described under Item 2.01 above, which is incorporated herein by reference.

In connection with their appointment, new employment agreements were entered into with each of the officers listed above and certain other executive officers of UAL. These employment agreements are described below.

Employment Agreements with Executive Officers and Principal Accounting Officer

Upon the completion of the Merger, UAL entered into employment agreements with each of its executive officers other than Thomas J. Sabatino, Jr., including Jeffery A. Smisek, Zane C. Rowe, Peter D. McDonald, James E. Compton, UAL's Executive Vice President and Chief Revenue Officer, Michael P. Bonds, UAL's Executive Vice President – Human Resources and Labor Relations, and Irene E. Foxhall, UAL's Executive Vice President – Communications and Government Affairs (the "Executive Officers"). UAL also entered into an employment agreement with its principal accounting officer, Chris T. Kenny. The employment agreements supersede and replace each such executive's current employment agreement, the current Management Retention Agreement for Mr. McDonald and the current Confidentiality and Non-Competition Agreement for Messrs. Rowe, Compton, and Bonds, Ms. Foxhall and Mr. Kenny. The employment agreements are designed to be consistent with current market practices and to establish a degree of comparability with the programs offered to similarly situated executives of Continental and UAL Corporation prior to the Merger. Prior to the closing of the Merger, the employment agreements were approved by the Continental Human Resources Committee and the UAL Compensation Committee.

Each employment agreement has an initial term of two years, other than Mr. Smisek's, which has an initial term of three years. Each agreement will renew automatically for additional one-year periods unless notice of non-renewal is provided. Messrs. Smisek, Rowe, McDonald, Compton, and Bonds, Ms. Foxhall, and Mr. Kenny will receive an annual base salary of $975,000, $750,000, $850,000, $750,000, $625,000, $650,000 and $360,000, respectively. The Executive Officers and Mr. Kenny will be eligible to participate in UAL's annual cash incentive plan. Mr. Smisek's annual target incentive compensation opportunity will equal 150% of his annual base salary. For 2011, each of Messrs. Rowe's, McDonald's, and Compton's annual target incentive compensation opportunity will equal 135% of his annual base salary. Mr. Bonds' and Ms. Foxhall's annual target incentive compensation opportunity for 2011 will equal 125% of his or her annual base salary, and Mr. Kenny's annual target incentive compensation opportunity for 2011 will equal 80% of his annual base salary. In addition, Mr. Smisek's agreement provides for the grant in 2011 of a long-term incentive award with a target value of $8.4 million, and a one-time merger integration incentive with a target value of $4 million based on the achievement of integration goals to be set by the UAL Compensation Committee.

The employment agreements provide the Executive Officers and Mr. Kenny certain payments and benefits upon termination of employment. In the event the employment of any of the Executive Officers is terminated by UAL without "cause" or by the Executive Officer for "good reason" (as defined in their respective employment agreements) within the two-year period following the completion of the Merger, such Executive Officer will receive a cash severance payment equal to 2.75 times the sum of his or her annual base salary and target annual incentive compensation opportunity as in effect immediately prior to termination (however, Mr. McDonald's severance payment will be reduced by $2,634,082), a pro-rata cash payment equal to the portion of his or her annual target incentive compensation opportunity for the year of termination, and, for Messrs. Rowe, McDonald, Compton and Bonds, continued coverage pursuant to UAL's or an affiliate's welfare benefit plans for 33 months. In the event such termination occurs after the second anniversary of the completion of the Merger, the cash severance payment will be equal to 2 times the sum of his or her annual base salary and annual target incentive compensation opportunity as in effect immediately prior to termination, the continued welfare plan coverage for Messrs. Rowe, McDonald, Compton and Bonds will be provided for 24 months and no pro-rata annual target incentive compensation opportunity will be paid to Executive Officers other than Mr. Smisek. Upon Mr. Smisek's or Ms. Foxhall's termination of employment for any reason other than by UAL for "cause," Mr. Smisek or Ms. Foxhall and his or her eligible dependents, as applicable, will receive continued coverage pursuant to UAL's or an affiliate's welfare benefit plans until he or she becomes eligible for Medicare coverage (or, in the case of Ms. Foxhall until her spouse becomes eligible for Medicare coverage, if later). If Mr. Kenny's employment is terminated by UAL without "cause" or by Mr. Kenny for "good reason" (as defined in his employment agreement) within the two-year period following the completion of the Merger, he will receive a cash severance payment equal to 1.5 times the sum of his annual base salary and annual target incentive compensation opportunity as in effect upon his termination, a pro-rata cash payment equal to the portion of his annual target incentive compensation opportunity for the year of termination and continued coverage pursuant to the UAL or an affiliate's welfare benefit plans for 18 months. If Mr. Kenny's employment is terminated by UAL without "cause" after the second anniversary of the completion of the Merger, the cash severance payment will be equal to the sum of his annual base salary and target annual incentive compensation opportunity as in effect upon his termination, the continued coverage pursuant to UAL's or an affiliate's welfare benefit plans will be provided for 12 months and no pro-rata annual target incentive compensation opportunity will be paid. In the event the employment of Mr. McDonald is terminated by UAL without "cause" or by Mr. McDonald for "good reason" prior to the second anniversary of the Merger the long-term incentive awards held by Mr. McDonald as of the completion of the Merger shall become vested and exercisable. In the event the employment of any of Messrs. Rowe, Compton, or Bonds, Ms. Foxhall, or Mr. Kenny is terminated by UAL without "cause" or by the executive for "good reason" or by reason of death, disability or retirement (as defined in the long-term incentive programs) after the Merger, the long-term incentive awards held by the terminated executive as of the completion of the Merger shall become vested and exercisable or payable, as the case may be, provided that certain of such long-term incentive awards will be payable on a prorated basis under certain circumstances.

In addition, if Mr. Smisek's employment terminates without cause, for good reason or due to death or disability at any time after the Merger, Mr. Smisek is entitled to benefits as follows. If the one-time merger integration incentive described above is outstanding, such award will continue to vest and become payable based on actual achievement of integration goals. If the initial long-term incentive award described above is outstanding, any portion of such award subject to time-based vesting will vest and be payable in full, and any portion subject to performance-based vesting will vest and become payable without pro-ration over time based on actual achievement of performance targets. With respect to outstanding long-term incentive awards granted to Mr. Smisek following the Merger, any portion of such awards subject to time-based vesting will vest and become immediately payable pro rata, and any performance-based portion of such awards will vest and become payable pro rata over time based on actual achievement of performance targets. Any outstanding long-term incentive awards Mr. Smisek held before the Merger will become fully vested and exercisable or payable, as the case may be, without pro-ration. Mr. Smisek will be entitled to a cash payment equal to a pro rata portion of his annual target incentive compensation opportunity for the year of termination.

In accordance with UAL's decision to eliminate gross-up payments for the excise taxes that may be levied on "excess parachute payments" (within the meaning of Section 280G of the Code) made to Executive Officers and certain other individuals upon a change in control, neither the Executive Officers nor Mr. Kenny will be entitled to a gross-up payment for any such excise taxes, other than, solely in the case of Messrs. Smisek, Rowe, Compton and Bonds and Ms. Foxhall, in order to satisfy their rights to such gross-up payments in connection with the Merger pursuant to their prior employment agreements with Continental. The employment agreements with Messrs. McDonald and Kenny do not provide for an excise tax gross-up under any circumstance. Except as previously noted, the employment agreements provide that in the event an Executive Officer or Mr. Kenny receives any excess parachute payments, he or she will have to either pay the excise tax without any assistance from UAL or its affiliates or have the payments reduced, if it would be more favorable to the executive on an after-tax basis.

Upon termination of employment other than by UAL for "cause," the Executive Officers will continue to receive travel privileges under the UAL Officer Travel Policy, or in the case of Mr. Smisek, under his employment agreement. If Mr. Kenny's employment is terminated without "cause" or for "good reason," or if his employment terminates for any reason other than by UAL for "cause" after three years from the completion of the Merger, then Mr. Kenny will continue to receive travel privileges under the UAL Officer Travel Policy. The travel privileges allow the executives and their family members and significant others travel on UAL flights and certain airline partners (subject to an annual cap). The executives, their spouses, and children also would retain access to certain facilities and status on UAL flights. Consistent with the retired officer flight policies of United and Continental as in effect prior to the Merger, the Executive Officers will continue to receive a tax reimbursement (subject to an annual cap) on these privileges after termination of employment; however, individuals who did not have a right to such tax reimbursements prior to the closing of the Merger, including Mr. Kenny, will not be entitled to any such tax reimbursement.

Messrs. Rowe, Compton, and Bonds and Ms. Foxhall have agreed to freeze the supplemental executive retirement plan ("SERP") benefits contained in his or her prior employment agreement with Continental. Each such Executive Officer has entered into a SERP agreement with UAL and Continental that sets forth the terms of the frozen benefits. Mr. Smisek's new employment agreement also freezes SERP benefits included in his prior employment agreement. Payouts of the SERP benefits are based upon the product of (i) 2.5% times (ii) final average compensation times (iii) credited years of service with Continental, UAL or its affiliates. For purposes of such calculation, final average compensation means the greater of a specified minimum amount or the average of the executive's highest five years of compensation during their last ten calendar years with Continental, UAL or its affiliates. For purposes of such calculation, compensation includes salary and annual incentive opportunity but excludes certain bonuses, termination payments, and other incentive award payments. The final average compensation for each of Messrs. Smisek, Rowe, Compton and Bonds and Ms. Foxhall will be calculated based upon their compensation from Continental, UAL or its affiliates as of the earlier of their termination of employment or December 31, 2010. Messrs. Smisek, Rowe, Compton, and Bonds and Ms. Foxhall will no longer receive additional service credit for purposes of the SERP benefit upon the earlier of termination of employment and December 31, 2010.

Each of the employment agreements provide that all termination payments and obligations of UAL or its affiliates are subject to receipt of a signed and irrevocable release agreement relating to certain legal claims and liabilities against UAL or its affiliates, other than certain claims arising following termination, related to post-termination obligations under the employment agreement or obligations under certain benefit programs.

Each executive will be subject to post-termination restrictive covenants during a limited time period relating to solicitation or hiring of any employee of UAL or its affiliates and certain non-competition obligations. In addition, each executive will be bound by an obligation of confidentiality and non-disparagement for an indefinite duration with respect to UAL and its affiliates.

Letter Agreement with Mr. Tilton

As described above, upon the completion of the Merger, Mr. Tilton, UAL's Chairman, President and Chief Executive Officer, retired and became non-executive Chairman of the UAL Board ("Chairman of UAL"), a position that he is expected to hold until December 31, 2012. In anticipation of becoming Chairman of UAL, on October 1, 2010, Mr. Tilton entered into a letter agreement with UAL (the "Letter Agreement"), effective upon completion of the Merger, setting forth the terms of his compensation as Chairman of UAL and for a period thereafter.

Pursuant to the Letter Agreement, in consideration for serving on the UAL Board, Mr. Tilton will be entitled to the same compensation and travel privileges as those provided to other non-employee directors of UAL. In addition, Mr. Tilton will receive certain enhanced payments and benefits in recognition of the unique contributions he is expected to make and the heightened responsibilities he is expected to have in the role of Chairman of UAL in light of his prior roles leading UAL. Such payments and benefits consist of a $600,000 annual cash retainer and an annual equity grant of $150,000 in restricted stock units, which will vest upon the earliest of (a) the first anniversary of the grant date, (b) December 31, 2012, (c) a termination of Mr. Tilton's service as Chairman of UAL due to his death, "disability" or removal without "cause" (each as defined in the employment agreement by and among Mr. Tilton, UAL and United Airlines, Inc., dated as of September 5, 2002, as amended) and (d) retirement with the consent of the UAL Board. In addition, Mr. Tilton will be entitled to office space and administrative support during his service as Chairman of UAL and for a period of ten years thereafter.

Termination of the Executive Severance Plan

On September 30, 2010, UAL terminated the Executive Severance Plan, dated as of April 1, 2007, and amended as of January 1, 2008, with effect upon completion of the Merger, provided that, in accordance with the terms of the Executive Severance Plan, in the case of any individual who was covered by the terms of the plan as of September 30, 2010, such termination will be effective as of September 30, 2011.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

In accordance with the provisions of the Merger Agreement, at the effective time of the Merger, the certificate of incorporation of UAL was amended and restated to read in the form filed as Exhibit 3.1 hereto (the "Amended UAL Certificate"). The Amended UAL Certificate was approved by the stockholders of UAL on September 17, 2010.

Also in accordance with the provisions of the Merger Agreement, at the effective time of the Merger, the bylaws of UAL were amended and restated to read in the form filed as Exhibit 3.2 hereto (the "Amended UAL Bylaws"). The Amended UAL Bylaws include the following provisions, which are either materially amended when compared to, or in addition to, the provisions contained in the previous bylaws:

- certain provisions related to the nomination of directors and the introduction of stockholder business, which were amended to modify the procedural and substantive notice requirements a stockholder must satisfy in order to properly nominate a director to the UAL Board or propose other business to be considered by stockholders at an annual or special meeting;

- certain provisions related to the selection of officers, which were amended to provide that (i) Mr. Smisek will initially serve as chief executive officer of UAL and (ii) unless he is earlier removed, resigns or dies, Mr. Tilton will serve as Chairman of the UAL Board until December 31, 2012, at which point Mr. Smisek will succeed him as Chairman of the UAL Board;
- a provision providing that the headquarters of UAL will remain in Chicago, Illinois and that UAL will maintain a significant presence in Houston, Texas;
- a provision permitting, at the discretion of the UAL Board, the participation by stockholders in annual and special meetings by means of remote communication; and
- certain provisions governing the amendment of the Amended UAL Bylaws, which were amended to provide (i) that, generally, the Amended UAL Bylaws may be amended by the affirmative vote of at least a majority of the directors voting at a meeting of the UAL Board where a quorum is present and (ii) that, notwithstanding clause (i), the UAL Board may not, without the approval of a majority of the Nominating/Governance Committee of the UAL Board and a majority of the UAL Board, amend, alter or repeal the sections of the Amended UAL Bylaws relating to Mr. Tilton's service as Chairman of UAL and Mr. Smisek's service as Chief Executive Officer and succession of Mr. Tilton as Chairman of UAL.

The description of the Amended UAL Certificate and the Amended UAL Bylaws contained in this Item 5.03 does not purport to be complete and is qualified in its entirety by reference to the Amended UAL Certificate and the Amended UAL Bylaws, which are filed as Exhibit 3.1 and Exhibit 3.2, respectively, hereto and are incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

On October 1, 2010, UAL issued a press release announcing the completion of the Merger. A copy of the press release is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated balance sheets of Continental as of December 31, 2009 and December 31, 2008 and the consolidated statements of operations, consolidated statements of cash flows and consolidated statements of common stockholders' equity (deficit) of Continental for each of the three years in the period ended December 31, 2009, and the notes related thereto, are attached hereto as Exhibit 99.2 and incorporated herein by reference.

The Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP, dated February 17, 2010, relating to Continental's financial statements described above, is attached hereto as Exhibit 99.3 and incorporated herein by reference.

The unaudited condensed consolidated balance sheets of Continental as of June 30, 2010 and the condensed consolidated statements of operations and condensed consolidated statements of cash flows of Continental for the three and six-month periods ended June 30, 2010, and the notes related thereto, are attached hereto as Exhibit 99.4 and incorporated herein by reference.

(b) Financial Statements of Businesses Acquired.

The unaudited pro forma condensed combined balance sheet of UAL as of June 30, 2010 and the unaudited pro forma condensed combined statements of operations of UAL for the six months ended June 30, 2010 and the year ended December 31, 2009, and the notes related thereto, are attached hereto as Exhibit 99.5 and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Merger among UAL Corporation, Continental Airlines, Inc. and JT Merger Sub Inc., dated as of May 2, 2010 (incorporated by reference to Exhibit 2.1 to UAL Corporation's Current Report on Form 8-K filed on May 4, 2010).
3.1	Amended and Restated Certificate of Incorporation of United Continental Holdings, Inc.
3.2	Amended and Restated Bylaws of United Continental Holdings, Inc.
4.1	First Supplemental Indenture dated as of October 1, 2010, by and among Continental Airlines, Inc., United Continental Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, with respect to the Indenture, dated as of June 10, 2003, between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One, N.A.), as trustee.
4.2	First Supplemental Indenture dated as of October 1, 2010, by and among Continental Airlines, Inc., United Continental Holdings, Inc. and Wilmington Trust Company, as trustee, with respect to the Indenture, dated as of November 10, 2000, between the Company and Wilmington Trust Company, as trustee.
4.3	Fourth Supplemental Indenture, dated as of October 1, 2010, by and among Continental Airlines, Inc., United Continental Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, with respect to the Indenture, dated as of July 15, 1997, between the Company and The Bank of New York Mellon Trust Company, N.A. (as successor to Bank One, N.A.), as trustee.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Continental Airlines, Inc.
99.1	Press release of United Continental Holdings, Inc., dated October 1, 2010.
99.2	Audited consolidated balance sheets of Continental Airlines, Inc. as of December 31, 2009 and December 31, 2008 and consolidated statements of operations, consolidated statements of cash flows and consolidated statements of common stockholders' equity (deficit) of Continental Airlines, Inc. for each of the three years in the period ended December 31, 2009, and the notes related thereto.
99.3	Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP dated February 17, 2010, relating to the Continental Airlines, Inc. financial statements.
99.4	Unaudited condensed consolidated balance sheets of Continental Airlines, Inc. as of June 30, 2010 and condensed consolidated statements of operations and condensed consolidated statements of cash flows of Continental Airlines, Inc. for the period ended June 30, 2010, and the notes related thereto.
99.5	Unaudited pro forma condensed combined balance sheet of United Continental Holdings, Inc. as of June 30, 2010 and the unaudited pro forma condensed combined statements of operations of United Continental Holdings, Inc. for the six months ended June 30, 2010 and the year ended December 31, 2009, and the notes related thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

UNITED CONTINENTAL HOLDINGS, INC.

By:	/s/ Thomas J. Sabatino, Jr.
Name:	Thomas J. Sabatino, Jr.
Title:	Executive Vice President, General Counsel and Secretary

Date: October 1, 2010

Exhibit Index

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23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Continental Airlines, Inc.
99.1	Press release of United Continental Holdings, Inc., dated October 1, 2010.
99.2	Audited consolidated balance sheets of Continental Airlines, Inc. as of December 31, 2009 and December 31, 2008 and consolidated statements of operations, consolidated statements of cash flows and consolidated statements of common stockholders' equity (deficit) of Continental Airlines, Inc. for each of the three years in the period ended December 31, 2009, and the notes related thereto.
99.3	Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP dated February 17, 2010, relating to the Continental Airlines, Inc. financial statements.
99.4	Unaudited condensed consolidated balance sheets of Continental Airlines, Inc. as of June 30, 2010 and condensed consolidated statements of operations and condensed consolidated statements of cash flows of Continental Airlines, Inc. for the period ended June 30, 2010, and the notes related thereto.
99.5	Unaudited pro forma condensed combined balance sheet of United Continental Holdings, Inc. as of June 30, 2010 and the unaudited pro forma condensed combined statements of operations of United Continental Holdings, Inc. for the six months ended June 30, 2010 and the year ended December 31, 2009, and the notes related thereto.

RESTATED CERTIFICATE OF INCORPORATION
OF UAL CORPORATION

The present name of the corporation is UAL Corporation. The corporation was incorporated under the name "UAL, Inc." by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware on December 30, 1968. This Restated Certificate of Incorporation of the corporation, which restates and integrates and also further amends the provisions of the corporation's Restated Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware. The Restated Certificate of Incorporation of the corporation is hereby amended, integrated and restated to read in its entirety as follows:

ARTICLE FIRST. The name of the Corporation is UNITED CONTINENTAL HOLDINGS, INC.

ARTICLE SECOND. The registered office of the Corporation in the State of Delaware is located at 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, Delaware 19808. The name and address of its registered agent at such address is The Prentice-Hall Corporation System, Inc., 2711 Centerville Road, Suite 400, in the City of Wilmington, County of Newcastle, Delaware 19808.

ARTICLE THIRD. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL").

ARTICLE FOURTH. The total number of shares of capital stock of all classes of which the Corporation shall have authority to issue is 1,250,000,002, divided into four classes, as follows: 250,000,000 shares of Preferred Stock, without par value (hereinafter referred to as "Serial Preferred Stock"), one (1) share of Class Pilot MEC Junior Preferred Stock, par value $0.01 per share (the "Class Pilot MEC Preferred Stock"), one (1) share of Class IAM Junior Preferred Stock, par value $0.01 per share (the "Class IAM Preferred Stock" and, together with the Serial Preferred Stock and the Class Pilot MEC Preferred Stock, the "Preferred Stock"), and 1,000,000,000 shares of Common Stock, par value $0.01 per share (the "Common Stock").

PART I

Serial Preferred Stock

The board of directors of the Corporation (the "Board of Directors") is expressly authorized, without any vote or other action by the stockholders and subject to limitations prescribed by law, to adopt, from time to time, a resolution or resolutions providing for the issue of Serial Preferred Stock in one or more series, to fix the number of shares in each such series and to fix the designations and the powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of each such series. The authority of the Board of Directors with respect to each such series shall include a determination of the following (which may vary as between the different series of Serial Preferred Stock):

(a) The number of shares constituting the series and the distinctive designation of the series;

(b) The dividend rate on the shares of the series, the conditions and dates upon which dividends thereon shall be payable, the extent, if any, to which dividends thereon shall be cumulative, and the relative rights of preference, if any, of payment of dividends thereon;

(c) Whether or not the shares of the series are redeemable and, if redeemable, the time or times during which they shall be redeemable and the amount per share payable on redemption thereof, which amount may, but need not, vary according to the time and circumstances of such redemption;

(d) The amount payable in respect of the shares of the series, in the event of any liquidation, dissolution or winding up of the Corporation, which amount may, but need not, vary according to the time or circumstances of such action, and the relative rights of preference, if any, of payment of such amount;

(e) Any requirement as to a sinking fund for the shares of the series, or any requirement as to the redemption, purchase or other retirement by the Corporation of the shares of the series;

(f) The right, if any, to exchange or convert shares of the series into other securities or property, and the rate or basis, time, manner and condition of exchange or conversion;

(g) The voting rights, if any, to which the holders of shares of the series shall be entitled in addition to the voting rights provided by law; and

(h) Any other term, condition or provision with respect to the series not inconsistent with the provisions of this Article Fourth, Part I or any resolution adopted by the Board of Directors pursuant thereto.

PART II

Class Pilot MEC Junior Preferred Stock

Unless otherwise indicated, any reference in this Article Fourth, Part II to “Section,” “subsection,” “paragraph,” “subparagraph,” or “clause” shall refer to a Section, subsection, paragraph, subparagraph or clause in this Article Fourth, Part II.

Section 1. *Issuance; Restrictions on Transfer*. The share of Class Pilot MEC Preferred Stock shall be issued only to, and shall be held only by, (i) the United Airlines Pilots Master Executive Council (the "MEC") of the Air Line Pilots Association, International ("ALPA") pursuant to ALPA's authority as the collective bargaining representative for the crafts or class of pilots employed by United Air Lines, Inc. ("United OpCo") or (ii) a duly authorized agent acting for the benefit of the MEC. Any purported sale, transfer, pledge or other disposition (a "transfer") of the share of Class Pilot MEC Preferred Stock to any person, other than a successor to the MEC by merger or reorganization of ALPA (in any such case, an "ALPA Successor"), or a duly authorized agent acting for the benefit of ALPA or an ALPA Successor, shall be null and void and of no force and effect. Upon any purported transfer of the share of Class Pilot MEC Preferred Stock by the holder thereof other than as expressly permitted above, and without any further action by the Corporation, such holder or any other person or entity, such share shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed by the Corporation in accordance with Subsection 9.2 hereof, and thereupon such share shall no longer be deemed outstanding, and neither such holder nor any purported transferee thereof shall have in respect thereof any of the voting powers, preferences or relative, participating, optional or special rights ascribed to the share of Class Pilot MEC Preferred Stock hereunder, but rather such holder thereafter shall only be entitled to receive the amount payable upon redemption in accordance with Section 9. The certificate representing the share of Class Pilot MEC Preferred Stock shall be legended to reflect the restrictions on transfer and automatic redemption provided for herein.

Section 2. *Definitions*. For purposes of this Article Fourth, Part II, the following terms shall have the meanings indicated:

2.1 "*Affiliate*" shall have the meaning defined in Rule 12b-2 under the Exchange Act.

2.2 "*Board of Directors*" shall mean the board of directors of the Corporation or any committee thereof authorized by such board of directors to perform any of its responsibilities with respect to the Class Pilot MEC Preferred Stock.

2.3 "*Business Day*" shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

2.4 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor act thereto.

2.5 "*set apart for payment*" shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; provided, however, that if any funds for any class or series of stock of the Corporation ranking on a parity with or junior to the Class Pilot MEC Preferred Stock as to distributions upon liquidation, dissolution or winding up of the Corporation are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then "set apart for payment" with respect to the Class Pilot MEC Preferred Stock shall mean, with respect to such distributions, placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

2.6 "*Transfer Agent*" means the Corporation or such agent or agents of the Corporation as may be designated from time to time by the Board of Directors as the transfer agent for the Class Pilot MEC Preferred Stock.

Section 3. *Dividends.* The holder of the share of Class Pilot MEC Preferred Stock as such shall not be entitled to receive any dividends or other distributions (except as provided in Section 4).

Section 4. *Payments upon Liquidation.*

4.1 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for payment to the holders of any class or series of stock of the Corporation that ranks junior to the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, the holder of the share of Class Pilot MEC Preferred Stock shall be entitled to receive $0.01 for the share of Class Pilot MEC Preferred Stock (the "MEC Liquidation Preference"), but such holder shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable to the holder of the share of Class Pilot MEC Preferred Stock shall be insufficient to pay in full the MEC Liquidation Preference and the liquidation preference on all other shares of any class or series of stock of the Corporation that ranks on a parity with the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, then such assets, or the proceeds thereof, shall be distributed among the holder of the share of Class Pilot MEC Preferred Stock and any such other parity stock ratably in accordance with the respective amounts that would be payable on such share of Class Pilot MEC Preferred Stock and any such other parity stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with or into one or more corporations, or (ii) a sale, lease, exchange or transfer of all or substantially all of the Corporation's assets, shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

4.2 Subject to the rights of the holders of shares of any series or class of stock ranking prior to or on a parity with the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, after payment shall have been made to the holder of the share of Class Pilot MEC Preferred Stock, as and to the fullest extent provided in this Section 4, any series or class of stock of the Corporation that ranks junior to the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holder of the share of Class Pilot MEC Preferred Stock shall not be entitled to share therein.

Section 5. *Shares to be Retired*. The share of Class Pilot MEC Preferred Stock which shall have been issued and reacquired in any manner (other than redemption pursuant to Section 9.1) by the Corporation shall be retired and restored to the status of an authorized but unissued share of Class Pilot MEC Preferred Stock and, in the event of the redemption of such share pursuant to Section 9.1 hereof, shall not be reissued.

Section 6. *Ranking.*

6.1 Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Class Pilot MEC Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holder of Class Pilot MEC Preferred Stock;

(b) on a parity with the Class Pilot MEC Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the liquidation prices per share thereof be different from those of the Class Pilot MEC Preferred Stock, if the holders of such class or series and the Class Pilot MEC Preferred Stock shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective liquidation preferences, without preference or priority one over the other; and

(c) junior to the Class Pilot MEC Preferred Stock, as to the distribution of assets upon liquidation, dissolution or winding up, if the holder of Class Pilot MEC Preferred Stock shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series.

6.2 The Class IAM Preferred Stock shall be deemed to rank on a parity with the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up. The Common Stock shall each be deemed to rank junior to the Class Pilot MEC Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up.

Section 7. *Consolidation, Merger, etc.*

7.1 In case the Corporation enters into any consolidation, merger, share exchange or similar transaction, however named, involving the Corporation or its subsidiary, United OpCo (or any successor to all or substantially all the assets or business of United OpCo), pursuant to which the outstanding shares of Common Stock are to be exchanged for or changed, reclassified or converted into securities of any successor or resulting or other company (including the Corporation), or cash or other property (each of the foregoing transactions is referred to herein as a “Merger Transaction”), proper provision shall be made so that, upon consummation of such transaction, the share of Class Pilot MEC Preferred Stock shall be converted, reclassified or changed into or exchanged for preferred stock of such successor or resulting or other company having, in respect of such company, the same powers, preferences and relative, participating, optional or other special rights (including the rights provided by this Section 7), and the qualifications, limitations or restrictions thereof, that the Class Pilot MEC Preferred Stock had, in respect of the Corporation, immediately prior to such transaction; specifically including, without limitation, the right, until the ALPA Termination Date (as defined in Section 8.1 below), to elect one member of the board of directors (or similar governing body) of such company.

7.2 In case the Corporation shall enter into any agreement providing for any Merger Transaction, then the Corporation shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to the holder of the share of Class Pilot MEC Preferred Stock. The Corporation shall not consummate any such Merger Transaction unless all of the terms of this Section 7 and Section 8 have been complied with.

Section 8. *Voting*. The holder of the share of Class Pilot MEC Preferred Stock shall have the following voting rights:

8.1 Until such time (the “ALPA Termination Date”) as (i) there are no longer any persons represented by ALPA (or any ALPA Successor) employed by the Corporation or any of its Affiliates or (ii) the collective bargaining agreement between the Corporation or any of its Affiliates and ALPA has been amended by the parties thereto so that such agreement no longer provides that ALPA has the right to appoint a director of the Corporation, the holder of the share of Class Pilot MEC Preferred Stock shall have the right (a) voting as a separate class, to (1) elect one director to the Board of Directors at each annual meeting of stockholders for a term of office to expire at the succeeding annual meeting of stockholders, (2) remove such director with or without cause and (3) fill any vacancies in such directorship resulting from death, resignation, disqualification, removal or other cause, and (b) voting together as a single class with the holders of Common Stock and the holders of such other classes or series of stock that vote together with the Common Stock as a single class, to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation (other than the election of Directors), except as otherwise required by law.

8.2 The affirmative vote of the holder of the share of Class Pilot MEC Preferred Stock, voting as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal (including any amendment, alteration or repeal by operation of merger or consolidation) of any of the provisions of this Restated Certificate or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designation, Preferences and Rights or any similar document relating to any series of Serial Preferred Stock) which would adversely affect the powers, preferences or special rights of the Class Pilot MEC Preferred Stock.

8.3 For purposes of the foregoing provisions of Sections 8.1 and 8.2, the share of Class Pilot MEC Preferred Stock shall have one (1) vote.

Section 9. *Redemption*.

9.1 The share of Class Pilot MEC Preferred Stock shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed on the ALPA Termination Date, at a price of $0.01 per share, as provided herein below. As promptly as reasonably possible following the occurrence of the ALPA Termination Date, the Corporation shall give notice thereof and of the redemption under this Section 9 to the record holder of the Class Pilot MEC Preferred Stock. From and after the redemption provided for in this Section 9.1, all rights of the holder of the Class Pilot MEC Preferred Stock as such, except the right to receive the redemption price of such share upon the surrender of the certificate formerly representing the same, shall cease and terminate and such share shall not thereafter be deemed to be outstanding for any purpose whatsoever.

9.2 The share of Class Pilot MEC Preferred Stock shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed upon any purported transfer thereof other than as expressly permitted under Section 1.2. The redemption price to be paid in connection with any redemption shall be $0.01 per share of Class Pilot MEC Preferred Stock. Upon any such redemption, all rights of the holder of Class Pilot MEC Preferred Stock as such, except the right to receive the redemption price of such share upon the surrender of the certificate formerly representing the same, shall cease and terminate and such share shall not thereafter be deemed to be outstanding for any purpose whatsoever.

9.3 The holder of the share of Class Pilot MEC Preferred Stock so redeemed pursuant to Section 9.1 or 9.2 shall present and surrender the certificate formerly representing such share to the Corporation and thereupon the redemption price of such share shall be paid to or on the order of the person whose name appears on such certificate as the owner thereof and the surrendered certificate shall be cancelled.

Section 10. *Record Holders*. The Corporation and the Transfer Agent (if other than the Corporation) may deem and treat the record holder of the share of Class Pilot MEC Preferred Stock as the true and lawful owner thereof for all purposes, and, except as otherwise provided by law, neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

PART III

Class IAM Junior Preferred Stock

Unless otherwise indicated, any reference in this Article Fourth, Part III to “Section,” “subsection,” “paragraph,” “subparagraph,” or “clause” shall refer to a Section, subsection, paragraph, subparagraph or clause in this Article Fourth, Part III.

Section 1. *Issuance; Restrictions on Transfer*. The share of Class IAM Preferred Stock shall be issued only to, and shall be held only by, (i) the International Association of Machinists and Aerospace Workers (the “IAM”) pursuant to the IAM’s authority as the collective bargaining representative for certain crafts or classes of public contact employees, ramp and stores employees, food service and security officer employees, Mileage Plus public contact employees, fleet technical instructors and related and maintenance instructor employees employed by United OpCo or (ii) a duly authorized agent acting for the benefit of the IAM. Any purported sale, transfer, pledge or other disposition (hereinafter a “transfer”) of the share of Class IAM Preferred Stock to any person, other than a successor to the IAM by merger or reorganization of the IAM (in any such case, an “IAM Successor”), or a duly authorized agent acting for the benefit of the IAM or an IAM Successor, shall be null and void and of no force and effect. Upon any purported transfer of the share of Class IAM Preferred Stock by the holder thereof other than as expressly permitted above, and without any further action by the Corporation, such holder or any other person or entity, such share shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed by the Corporation in accordance with Subsection 9.2 hereof, and thereupon such share shall no longer be deemed outstanding, and neither such holder nor any purported transferee thereof shall have in respect thereof any of the voting powers, preferences or relative, participating, optional or special rights ascribed to the share of Class IAM Preferred Stock hereunder, but rather such holder thereafter shall only be entitled to receive the amount payable upon redemption in accordance with Section 9. The certificate representing the share of Class IAM Preferred Stock shall be legended to reflect the restrictions on transfer and automatic redemption provided for herein.

Section 2. *Definitions*. For purposes of this Article Fourth, Part III, the following terms shall have the meanings indicated:

2.1 “*Affiliate*” shall have the meaning defined in Rule 12b-2 under the Exchange Act.

2.2 “*Board of Directors*” shall mean the board of directors of the Corporation or any committee thereof authorized by such board of directors to perform any of its responsibilities with respect to the Class IAM Preferred Stock.

2.3 “*Business Day*” shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

2.4 “*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor act thereto.

2.5 “*set apart for payment*” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; provided, however, that if any funds for any class or series of stock of the Corporation ranking on a parity with or junior to the Class IAM Preferred Stock as to distributions upon liquidation, dissolution or winding up of the Corporation are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Class IAM Preferred Stock shall mean, with respect to such distributions, placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

2.6 “*Transfer Agent*” means the Corporation or such agent or agents of the Corporation as may be designated from time to time by the Board of Directors as the transfer agent for the Class IAM Preferred Stock.

Section 3. *Dividends*. The holder of the share of Class IAM Preferred Stock as such shall not be entitled to receive any dividends or other distributions (except as provided in Section 4).

Section 4. *Payments upon Liquidation*.

4.1 In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for payment to the holders of any class or series of stock of the Corporation that ranks junior to the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, the holder of the share of Class IAM Preferred Stock shall be entitled to receive $0.01 for the share of Class IAM Preferred Stock (the “IAM Liquidation Preference”), but such holder shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable to the holder of the share of Class IAM Preferred Stock shall be insufficient to pay in full the IAM Liquidation Preference and the liquidation preference on all other shares of any class or series of stock of the Corporation that ranks on a parity with the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, then such assets, or the proceeds thereof, shall be distributed among the holder of the share of Class IAM Preferred Stock and any such other parity stock ratably in accordance with the respective amounts that would be payable on such share of Class IAM Preferred Stock and any such other parity stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation or merger of the Corporation with or into one or more corporations, or (ii) a sale, lease, exchange or transfer of all or substantially all of the Corporation’s assets, shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

4.2 Subject to the rights of the holders of shares of any series or class of stock ranking prior to or on a parity with the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, after payment shall have been made to the holder of the share of Class IAM Preferred Stock, as and to the fullest extent provided in this Section 4, any series or class of stock of the Corporation that ranks junior to the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up of the Corporation, shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holder of the share of Class IAM Preferred Stock shall not be entitled to share therein.

Section 5. *Shares to be Retired*. The share of Class IAM Preferred Stock which shall have been issued and reacquired in any manner (other than redemption pursuant to Section 9.1) by the Corporation shall be retired and restored to the status of an authorized but unissued share of Class IAM Preferred Stock and, in the event of the redemption of such share pursuant to Section 9.1 hereof, shall not be reissued.

Section 6. *Ranking*.

6.1 Any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to the Class IAM Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holder of Class IAM Preferred Stock;

(b) on a parity with the Class IAM Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, whether or not the liquidation prices per share thereof be different from those of the Class IAM Preferred Stock, if the holders of such class or series and the Class IAM Preferred Stock shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective liquidation preferences, without preference or priority one over the other; and

(c) junior to the Class IAM Preferred Stock, as to the distribution of assets upon liquidation, dissolution or winding up, if the holder of Class IAM Preferred Stock shall be entitled to the receipt of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such class or series.

6.2 The Class Pilot MEC Preferred Stock shall be deemed to rank on a parity with the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up. The Common Stock shall be deemed to rank junior to the Class IAM Preferred Stock as to amounts distributable upon liquidation, dissolution or winding up.

Section 7. *Consolidation, Merger, etc*.

7.1 In case the Corporation enters into any consolidation, merger, share exchange or similar transaction, however named, involving the Corporation or its subsidiary, United OpCo (or any successor to all or substantially all the assets or business of United OpCo), pursuant to which the outstanding shares of Common Stock are to be exchanged for or changed, reclassified or converted into securities of any successor or resulting or other company (including the Corporation), or cash or other property (each of the foregoing transactions is referred to herein as a "Merger Transaction"), proper provision shall be made so that, upon consummation of such transaction, the share of Class IAM Preferred Stock shall be converted, reclassified or changed into or exchanged for preferred stock of such successor or resulting or other company having, in respect of such company, the same powers, preferences and relative, participating, optional or other special rights (including the rights provided by this Section 7), and the qualifications, limitations or restrictions thereof, that the Class IAM Preferred Stock had, in respect of the Corporation, immediately prior to such transaction; specifically including, without limitation, the right, until the IAM Termination Date (as defined in Section 8.1 below), to elect one member of the board of directors (or similar governing body) of such company.

7.2 In case the Corporation shall enter into any agreement providing for any Merger Transaction, then the Corporation shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to the holder of the share of Class IAM Preferred Stock. The Corporation shall not consummate any such Merger Transaction unless all of the terms of this Section 7 and Section 8 have been complied with.

Section 8. *Voting*. The holder of the share of Class IAM Preferred Stock shall have the following voting rights:

8.1 Until such time (the "IAM Termination Date") as (i) there are no longer any persons represented by the IAM (or any IAM Successor) employed by the Corporation or any of its Affiliates or (ii) the letter agreement between the Corporation and the IAM, dated as of May 1, 2003, no longer provides that the IAM has the right to appoint a director of the Corporation, the holder of the share of Class IAM Preferred Stock shall have the right (a) voting as a separate class, to (1) elect one director to the Board of Directors at each annual meeting of stockholders for a term of office to expire at the succeeding annual meeting of stockholders, (2) remove such director with or without cause and (3) fill any vacancies in such directorship resulting from death, resignation, disqualification, removal or other cause, and (b) voting together as a single class with the holders of Common Stock and the holders of such other classes or series of stock that vote together with the Common Stock as a single class, to vote on all matters submitted to a vote of the holders of Common Stock of the Corporation (other than the election of Directors), except as otherwise required by law.

8.2 The affirmative vote of the holder of the share of Class IAM Preferred Stock, voting as a separate class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal (including any amendment, alteration or repeal by operation of merger or consolidation) of any of the provisions of this Restated Certificate or of any certificate amendatory thereof or supplemental thereto (including any Certificate of Designation, Preferences and Rights or any similar document relating to any series of Serial Preferred Stock) which would adversely affect the powers, preferences or special rights of the Class IAM Preferred Stock.

8.3 For purposes of the foregoing provisions of Sections 8.1 and 8.2, the share of Class IAM Preferred Stock shall have one (1) vote.

Section 9. *Redemption*.

9.1 The share of Class IAM Preferred Stock shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed on the IAM Termination Date, at a price of $0.01 per share, as provided herein below. As promptly as reasonably possible following the occurrence of the IAM Termination Date, the Corporation shall give notice thereof and of the redemption under this Section 9 to the record holder of the Class IAM Preferred Stock. From and after the redemption provided for in this Section 9.1, all rights of the holder of the Class IAM Preferred Stock as such, except the right to receive the redemption price of such share upon the surrender of the certificate formerly representing the same, shall cease and terminate and such share shall not thereafter be deemed to be outstanding for any purpose whatsoever.

9.2 The share of Class IAM Preferred Stock shall, to the extent of funds legally available therefor and subject to the other provisions of this Restated Certificate, be automatically redeemed upon any purported transfer thereof other than as expressly permitted under Section 1.2. The redemption price to be paid in connection with any redemption shall be $0.01 per share of Class IAM Preferred Stock. Upon any such redemption, all rights of the holder of Class IAM Preferred Stock as such, except the right to receive the redemption price of such share upon the surrender of the certificate formerly representing the same, shall cease and terminate and such share shall not thereafter be deemed to be outstanding for any purpose whatsoever.

9.3 The holder of the share of Class IAM Preferred Stock so redeemed pursuant to Sections 9.1 or 9.2 shall present and surrender the certificate formerly representing such share to the Corporation and thereupon the redemption price of such share shall be paid to or on the order of the person whose name appears on such certificate as the owner thereof and the surrendered certificate shall be cancelled.

Section 10. *Record Holders*. The Corporation and the Transfer Agent (if other than the Corporation) may deem and treat the record holder of the share of Class IAM Preferred Stock as the true and lawful owner thereof for all purposes, and, except as otherwise provided by law, neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

PART IV

Common Stock

Unless otherwise indicated, any reference in this Article Fourth, Part IV to “Section,” “subsection,” “paragraph,” “subparagraph,” or “clause” shall refer to a Section, subsection, paragraph, subparagraph or clause in this Article Fourth, Part IV.

Section 1. *Dividends*. Subject to any rights to receive dividends to which the holders of the shares of any other class or series of stock may be entitled, the holders of shares of Common Stock shall be entitled to receive dividends, if and when declared payable from time to time by the Board of Directors, from any funds legally available therefor.

Section 2. *Liquidation*. In the event of any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, after there shall have been paid to the holders of shares of any other class or series of stock ranking prior to the Common Stock in respect thereof the full amounts to which they shall be entitled, and subject to any rights of the holders of any other class or series of stock to participate therein, the holders of the then outstanding shares of Common Stock shall be entitled to receive, pro rata, any remaining assets of the Corporation available for distribution to its stockholders. Subject to the foregoing, the Board of Directors may distribute in kind to the holders of the shares of Common Stock such remaining assets of the Corporation, or may sell, transfer or otherwise dispose of all or any part of such remaining assets to any other corporation, trust or other entity and receive payment therefor in cash, stock or obligations of such other corporation, trust or entity or any combination thereof, and may sell all or any part of the consideration so received, and may distribute the consideration so received or any balance thereof in kind to holders of the shares of Common Stock. The voluntary sale, conveyance, lease, exchange or transfer of all or substantially all the property or assets of the Corporation (unless in connection therewith the dissolution, liquidation or winding up of the Corporation is specifically approved), or the merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or any purchase or redemption of shares of stock of the Corporation of any class, shall not be deemed to be a dissolution, liquidation or winding up of the corporation for the purpose of this Section 2.

Section 3. *Voting*. Except as provided by law or this Restated Certificate, each outstanding share of Common Stock of the Corporation shall entitle the holder thereof to one vote on each matter submitted to a vote at a meeting of stockholders.

PART V

Section 1. *No Preemptive Rights*. Except as otherwise provided herein, no holder of stock of the Corporation of any class shall have any preemptive, preferential or other right to purchase or subscribe for any shares of stock, whether now or hereafter authorized, of the Corporation of any class, or any obligations convertible into, or any options or warrants to purchase, any shares of stock, whether now or hereafter authorized, of the Corporation of any class, other than such, if any, as the Board of Directors may from time to time determine, and at such price as the Board of Directors may from time to time fix; and any shares of stock or any obligations, options or warrants which the Board of Directors may determine to offer for subscription to holders of any shares of stock of the Corporation may, as the Board of Directors shall determine, be offered to holders of shares of stock of the Corporation of any class or classes or series, and if offered to holders of shares of stock of more than one class or series, in such proportions as between such classes and series as the Board of Directors may determine.

Section 2. *Non-Citizen Voting Limitation*. All (x) capital stock of, or other equity interests in, the Corporation, (y) securities convertible into or exchangeable for shares of capital stock, voting securities or other equity interests in the Corporation, and (z) options, warrants or other rights to acquire the securities described in clauses (x) and (y), whether fixed or contingent, matured or unmatured, contractual, legal, equitable or otherwise (collectively, "Equity Securities") shall be subject to the following limitations:

(a) Non-Citizen Voting Limitation. In no event shall the total number of shares of Equity Securities held by all persons who fail to qualify as a "citizen of the United States," as the term is used in Section 40102(a)(15) of Title 49 of the United States Code, in any similar legislation of the United States enacted in substitution or replacement therefor, and as interpreted by the Department of Transportation, be entitled to be more than 24.9% (or such other maximum percentage as such Section or substitute or replacement legislation shall hereafter provide) of the aggregate votes of all outstanding Equity Securities of the Corporation (the "Cap Amount").

(b) Allocation of Cap Amounts. The restrictions imposed by the Cap Amount shall be applied pro rata among the holders of Equity Securities who fail to qualify as "citizens of the United States" based on the number of votes the underlying securities are entitled to.

(c) Each certificate or other representative document for Equity Securities (including each such certificate or representative document for Equity Securities issued upon any permitted transfer of Equity Securities) shall contain a legend in substantially the following form:

"The **[type of Equity Securities]** represented by this **[certificate/representative document]** are subject to voting restrictions with respect to **[shares/warrants, etc.]** held by persons or entities that fail to qualify as "citizens of the United States" as the term is defined used in Section 40102(a)(15) of Title 49 of the United States Code. Such voting restrictions are contained in the Restated Certificate of United Continental Holdings, Inc., as the same may be amended or restated from time to time. A complete and correct copy of the Restated Certificate shall be furnished free of charge to the holder of such shares of **[type of Equity Securities]** upon written request to the Secretary of United Continental Holdings, Inc."

Section 3. *Restrictions on Issuance of Securities*. (a) The Corporation shall not issue nonvoting equity securities to the extent prohibited by Section 1123(a)(6) of the United States Bankruptcy Code for so long as such Section is in effect and applicable to the Corporation.

(b) Except as required by law or as approved by the stockholders, the Corporation shall not issue Serial Preferred Stock pursuant to Article Fourth, Part I with voting rights (unless such Serial Preferred Stock is convertible into Common Stock, in which case such Serial Preferred Stock may vote with the Common Stock on an as-converted basis).

Section 4. *Stockholder Action*. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders.

Section 5. *5% Ownership Limit*.

5.1 For purposes of Sections 5, 6 and 7, the following terms shall have the meanings indicated (and any references to any portions of Treasury Regulation § 1.382-2T shall include any successor provisions):

"*5% Transaction*" means any Transfer of Corporation Securities described in clause (y) or (z) of paragraph 5.2, subject to the provision of such paragraph 5.2.

An "*Affiliate*" of any Person means any other Person, that, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; and, for the purposes of this definition only, "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a Person whether through the ownership of securities, by contract or agency or otherwise.

"*Associate*" has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act.

A Person will be deemed the "*Beneficial Owner*" of, and will be deemed to "*Beneficially Own*," and will be deemed to have "*Beneficial Ownership*" of:

(a) any securities that such Person or any of such Person's Affiliates or Associates is deemed to "Beneficially Own" within the meaning of Rule 13d-3 under the Exchange Act, and any securities deposited into a trust established by or on behalf of the Person or any of its Affiliates or Associates, the sole beneficiaries of which are the shareholders of the Person;

(b) any securities (the "Underlying Securities") that such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (written or oral), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise (it being understood that such Person will also be deemed to be the Beneficial Owner of the securities convertible into or exchangeable for the Underlying Securities); and

(c) any securities Beneficially Owned by persons that are part of a "group" (within the meaning of Rule 13d-5(b) under the Exchange Act) with such Person. For purposes of calculating the percentage of Voting Securities that are Beneficially Owned by any Person, such calculation will be made based on the aggregate number of issued and outstanding securities at the time of such calculation, but will not include in the denominator any such securities issuable upon any options, warrants or other securities that are exercisable for such securities.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Corporation Securities*” means (i) shares of Common Stock, (ii) shares of Preferred Stock (other than preferred stock described in Section 1504(a)(4) of the Code), (iii) warrants, rights, or options (including options within the meaning of Treasury Regulation § 1.382-2T(h)(4)(v)) to purchase stock of the Corporation, and (iv) any other interest that would be treated as “stock” of the Corporation pursuant to Treasury Regulation § 1.382-2T(f)(18).

“*Effective Date*” means February 1, 2006.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor act thereto.

“*Five-Percent Shareholder*” means a Person or group of Persons that is identified as a “5-percent shareholder” of the Corporation pursuant to Treasury Regulation § 1.382-2T(g).

“*Percentage Stock Ownership*” means the percentage Stock Ownership interest as determined in accordance with Treasury Regulation § 1.382-2T(g), (h), (j) and (k).

“*Person*” means any individual, firm, corporation or other legal entity, and includes any successor (by merger or otherwise) of such entity.

“*Prohibited Transfer*” means any purported Transfer of Corporation Securities to the extent that such Transfer is prohibited and/or void under this Section 5.

“*Tax Benefit*” means the net operating loss carryovers, capital loss carryovers, general business credit carryovers, alternative minimum tax credit carryovers and foreign tax credit carryovers, as well as any loss or deduction attributable to a “net unrealized built-in loss” within the meaning of Section 382, of the Corporation or any direct or indirect subsidiary thereof.

“*Transfer*” means, with respect to any person other than the Corporation, any direct or indirect sale, transfer, assignment, conveyance, pledge or other disposition, other than a sale, transfer, assignment, conveyance, pledge or other disposition to a wholly owned subsidiary of the transferor, or, if the transferor is wholly owned by a Person, to a wholly owned subsidiary of such Person. A Transfer also shall include the creation or grant of an option (including an option within the meaning of Treasury Regulation § 1.382-2T(h)(4)(v)).

“*Voting Securities*” means all securities that by their terms are entitled to vote generally in the election of directors of the Corporation (without giving effect to any contractual limitations on voting).

5.2 Any attempted Transfer of Corporation Securities prior to the earliest of (A) February 1, 2014, or such later date as may be approved by the Board of Directors, (B) the repeal, amendment or modification of Section 382 of the Code (and any comparable successor provision) (“Section 382”) in such a way as to render the restrictions imposed by Section 382 no longer applicable to the Corporation, (C) the beginning of a taxable year of the Corporation (or any successor thereof) in which no Tax Benefits are available, and (D) the date on which the limitation amount imposed by Section 382 in the event of an ownership change of the Corporation, as defined in Section 382, would not be materially less than the net operating loss carryforward or net unrealized built-in loss of the Corporation (the “Restriction Release Date”), or any attempted Transfer of Corporation Securities pursuant to an agreement entered into prior to the Restriction Release Date, shall be prohibited and void ab initio so far as it purports to transfer ownership or rights in respect of such stock to the Purported Transferee (y) if the transferor is a Five-Percent Shareholder or (z) to the extent that, as a result of such Transfer (or any series of Transfers of which such Transfer is a part), either (1) any Person or group of Persons shall become a Five-Percent Shareholder other than by reason of Treasury Regulation Section 1.382-2T(j)(3) or any successor to such regulation or (2) the Percentage Stock Ownership interest in the Corporation of any Five-Percent Shareholder shall be increased; provided, that this paragraph 5.2 shall not apply to, nor shall any other provision in this Restated Certificate prohibit, restrict or limit in any way, (i) the issuance of Corporation Securities by the Corporation in accordance with the Second Amended Joint Plan of Reorganization of the Corporation dated January 20, 2006 (the “Chapter 11 Plan”) or (ii) the issuance of Corporation Securities by the Corporation pursuant to the Agreement and Plan of Merger among UAL Corporation, Continental Airlines, Inc. and JT Merger Sub Inc. dated as of May 2, 2010, but not any subsequent transfer of such Corporation Securities.

5.3 The restrictions set forth in paragraph 5.2 shall not apply to an attempted Transfer that is a 5% Transaction if the transferor or the transferee obtains the prior written approval of the Board of Directors or a duly authorized committee thereof.

As a condition to granting its approval pursuant to this paragraph 5.3, the Board of Directors may, in its discretion, require (at the expense of the transferor and/or transferee) an opinion of counsel selected by the Board of Directors that the Transfer shall not result in the application of any Section 382 limitation on the use of the Tax Benefits. The Board of Directors may exercise the authority granted by this Section 5 through duly authorized officers or agents of the Corporation.

5.4 Each certificate representing shares of Corporation Securities issued prior to the Restriction Release Date shall contain the legend set forth on Exhibit A hereto, evidencing the restrictions set forth in this Section 5 and Sections 6 and 7.

Section 6. *Treatment of Excess Securities*.

6.1 No employee or agent of the Corporation shall record any Prohibited Transfer, and the purported transferee of such a Prohibited Transfer (the “Purported Transferee”) shall not be recognized as a stockholder of the Corporation for any purpose whatsoever in respect of the Corporation Securities which are the subject of the Prohibited Transfer (the “Excess Securities”). Until the Excess Securities are acquired by another Person in a Transfer that is not a Prohibited Transfer, the Purported Transferee shall not be entitled with respect to such Excess Securities to any rights of stockholders of the Corporation, including, without limitation, the right to vote such Excess Securities and to receive dividends or distributions, whether liquidating or otherwise, in respect thereof, if any; provided, however, that the Transferor of such Excess Securities shall not be required to disgorge, and shall be permitted to retain for its own account, any proceeds of such Transfer, and shall have no further rights, responsibilities, obligations or liabilities with respect to such Excess Securities, if such Transfer was a Prohibited Transfer pursuant to Section 5.2(z). Once the Excess Securities have been acquired in a Transfer that is not a Prohibited Transfer, the Corporation Securities shall cease to be Excess Securities. For this purpose, any transfer of Excess Securities not in accordance with the provisions of this Section 6 shall also be a Prohibited Transfer.

6.2 If the Board of Directors determines that a Transfer of Corporation Securities constitutes a Prohibited Transfer then, upon written demand by the Corporation, the Purported Transferee shall transfer or cause to be transferred any certificate or other evidence of ownership of the Excess Securities within the Purported Transferee's possession or control, together with any dividends or other distributions that were received by the Purported Transferee from the Corporation with respect to the Excess Securities ("Prohibited Distributions"), to an agent designated by the Board of Directors (the "Agent"). The Agent shall thereupon sell to a buyer or buyers, which may include the Corporation, the Excess Securities transferred to it in one or more arm's-length transactions (over the New York Stock Exchange or other national securities exchange on which the Corporation Securities may be traded, if possible, or otherwise privately); provided, however, that the Agent shall effect such sale or sales in an orderly fashion and shall not be required to effect any such sale within any specific time frame if, in the Agent's discretion, such sale or sales would disrupt the market for the Corporation Securities or otherwise would adversely affect the value of the Corporation Securities. If the Purported Transferee has resold the Excess Securities before receiving the Corporation's demand to surrender Excess Securities to the Agent, the Purported Transferee shall be deemed to have sold the Excess Securities for the Agent, and shall be required to transfer to the Agent any Prohibited Distributions and proceeds of such sale, except to the extent that the Corporation grants written permission to the Purported Transferee to retain a portion of such sales proceeds not exceeding the amount that the Purported Transferee would have received from the Agent pursuant to Section 6.3 if the Agent rather than the Purported Transferee had resold the Excess Securities.

6.3 The Agent shall apply any proceeds of a sale by it of Excess Securities and, if the Purported Transferee had previously resold the Excess Securities, any amounts received by it from a Purported Transferee as follows: (x) first, such amounts shall be paid to the Agent to the extent necessary to cover its costs and expenses incurred in connection with its duties hereunder; (y) second, any remaining amounts shall be paid to the Purported Transferee, up to the amount paid by the Purported Transferee for the Excess Securities (or the fair market value, (1) calculated on the basis of the closing market price for the Corporation Securities on the day before the Prohibited Transfer, (2) if the Corporation Securities are not listed or admitted to trading on any stock exchange but are traded in the over-the-counter market, calculated based upon the difference between the highest bid and lowest asked prices, as such prices are reported by the National Association of Securities Dealers through its NASDAQ system or any successor system on the day before the Prohibited Transfer or, if none, on the last preceding day for which such quotations exist, or (3) if the Corporation Securities are neither listed nor admitted to trading on any stock exchange nor traded in the over-the-counter market, then as determined in good faith by the Board of Directors, of the Excess Securities at the time of the Prohibited Transfer to the Purported Transferee by gift, inheritance, or similar Transfer), which amount (or fair market value) shall be determined at the discretion of the Board of Directors; and (z) third, any remaining amounts, subject to the limitations imposed by the following proviso, shall be paid to one or more organizations qualifying under Section 501(c)(3) of the Code (or any comparable successor provision) ("Section 501(c)(3)") selected by the Board of Directors; provided, however, that if the Excess Securities (including any Excess Securities arising from a previous Prohibited Transfer not sold by the Agent in a prior sale or sales), represent a 5% or greater Percentage Stock Ownership in any class of Corporation Securities, then any such remaining amounts to the extent attributable to the disposition of the portion of such Excess Securities exceeding a 4.99% Percentage Stock Ownership interest in such class shall be paid to two or more organizations qualifying under Section 501(c)(3) selected by the Board of Directors. The recourse of any Purported Transferee in respect of any Prohibited Transfer shall be limited to the amount payable to the Purported Transferee pursuant to clause (y) of the preceding sentence. In no event shall the proceeds of any sale of Excess Securities pursuant to this Section 6 inure to the benefit of the Corporation.

6.4 If the Purported Transferee fails to surrender the Excess Securities or the proceeds of a sale thereof to the Agent within thirty days from the date on which the Corporation makes a written demand pursuant to Section 6.2, then the Corporation shall use its best efforts to enforce the provisions hereof, including the institution of legal proceedings to compel the surrender.

6.5 The Corporation shall make the written demand described in Section 6.2 within thirty days of the date on which the Board of Directors determines that the attempted Transfer would result in Excess Securities; provided, however, that if the Corporation makes such demand at a later date, the provisions of Sections 5 and 6 shall apply nonetheless.

Section 7. *Board Authority.*

The Board of Directors shall have the power to determine all matters necessary for assessing compliance with Sections 5 and 6, including, without limitation, (A) the identification of Five-Percent Shareholders, (B) whether a Transfer is a 5% Transaction or a Prohibited Transfer, (C) the Percentage Stock Ownership in the Corporation of any Five-Percent Shareholder, (D) whether an instrument constitutes a Corporation Security, (E) the amount (or fair market value) due to a Purported Transferee pursuant to clause (y) of Section 6.3, and (F) any other matters which the Board of Directors determines to be relevant; and the good faith determination of the Board of Directors on such matters shall be conclusive and binding for all the purposes of Sections 5 and 6.

ARTICLE FIFTH.

Unless otherwise indicated, any reference in this Article Fifth to “Section,” “subsection,” “paragraph,” “subparagraph,” or “clause” shall refer to a Section, subsection, paragraph, subparagraph or clause in this Article Fifth.

Section 1. *Definitions.* As used in this Restated Certificate, the following terms shall have the following meanings:

1.1 “*Chief Executive Officer*” means the Chief Executive Officer of the Corporation.

1.2 "*Director*" means a director of the Corporation.

1.3 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended, or any successor act thereto.

1.4 "*GCL*" means the General Corporation Law of the State of Delaware, as amended from time to time.

1.5 "*Person*" means any individual, corporation, limited liability company, association, partnership, joint venture, trust or unincorporated organization, or a governmental entity or any department, agency or political subdivision thereof.

1.6 "*Restated Bylaws*" means the Amended and Restated Bylaws of the Corporation, as amended from time to time.

1.7 "*Stockholders*" means the stockholders of the Corporation.

Section 2. *Directors.*

2.1 General Powers. Except as otherwise provided in this Restated Certificate, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may adopt such rules and regulations, not inconsistent with this Restated Certificate, the Restated Bylaws or applicable law, as it may deem proper for the conduct of its meetings and the management of the Corporation. In addition to the powers conferred expressly by this Restated Certificate and the Restated Bylaws, the Board of Directors may exercise all powers and perform all acts that are not required, by this Restated Certificate, the Restated Bylaws or applicable law, to be exercised or performed by the Stockholders.

2.2 Number. Except as otherwise provided for or fixed by or pursuant to the provisions of Article Fourth hereof relating to the rights of the holders of any class or series of stock to elect Directors and take certain actions with respect to such elected Directors, the number of Directors shall be fixed from time to time exclusively pursuant to a resolution of the Board of Directors (but shall not be fewer than five).

2.3 Term of Office. Except as otherwise provided in this Restated Certificate, each Director shall hold office until the next annual meeting of Stockholders and until his or her successor is elected and qualified, subject to such Director's earlier death, resignation or removal.

2.4 Resignation of Directors. Any Director may resign at any time upon written notice to the Corporation.

2.5 Voting by Directors. Subject to any greater or additional vote of the Board or of any class of Directors required by law, by this Restated Certificate or the Restated Bylaws, an act of the Board shall require the affirmative vote of at least a majority of the votes entitled to be cast by the Directors present at a meeting of the Board at which a quorum is present. Each Director shall have one vote.

Section 3. *Special Voting Provisions.*

3.1 Election of Directors. Notwithstanding any other provision of this Restated Certificate, and except as otherwise required by law, whenever the holders of one or more series of Preferred Stock shall have the right, voting separately as a class, to elect one or more Directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of this Restated Certificate or the resolution or resolutions of the Board of Directors establishing such series of Preferred Stock. During any period when the holders of any series of Preferred Stock (other than the Class Pilot MEC Preferred Stock and the Class IAM Preferred Stock) have the right to elect additional Directors as provided for or fixed by or pursuant to the provisions of Article Fourth hereof, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors of the Corporation shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed by or pursuant to said provisions, and (ii) each such additional Director shall serve until such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing a series of Preferred Stock, whenever the holders of any series of Preferred Stock having a right to elect additional Directors are divested of such right pursuant to the provisions of such series of Preferred Stock, the terms of office of all such additional Directors elected by the holders of such series of Preferred Stock, or selected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total authorized number of Directors of the Corporation shall be reduced accordingly.

3.2 Amendment to the Restated Bylaws. The Board of Directors is expressly authorized to make, alter, amend or repeal the Restated Bylaws, and to adopt new bylaws; provided, however, that (i) prior to the Chairman Succession Date (as defined in the Restated Bylaws), the Board of Directors shall not be permitted to alter, amend or repeal Section 5.5(c), Section 5.14, the last sentence of Section 5.6 or the proviso to Section 8.1 and (ii) no bylaws hereafter adopted shall invalidate any prior act of the Board of Directors that would have been valid if such bylaws had not been adopted.

ARTICLE SIXTH.

(a) A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the director derived an improper personal benefit.

(b) Each person who was or is made a party or is threatened to be made a party or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or employee of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director, officer or employee shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the GCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith. Such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (c) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. Notwithstanding anything to the contrary herein, the Corporation shall not be obligated to indemnify a director or officer for costs and expenses relating to proceedings (or any part thereof) instituted against the Corporation by such director or officer (other than proceedings pursuant to which such director or officer is seeking to enforce such director's or officer's indemnification rights hereunder). The right to indemnification conferred in this Article Sixth with respect to directors and officers shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the GCL requires, the payment of such expense incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article Sixth or otherwise. The Corporation may provide indemnification to employees (other than officers) and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers to the extent (i) permitted by the laws of the State of Delaware as from time to time in effect, and (ii) authorized in the sole discretion any of the Chief Executive Officer, the President, the Chief Financial Officer or the General Counsel of the Corporation; provided, however, that any such indemnification shall not constitute a contract right for any such employee or agent.

(c) If a claim under paragraph (b) of this Article Sixth is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the GCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the GCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(d) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article Sixth shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Restated Certificate, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(e) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the GCL.

ARTICLE SEVENTH.

Except as expressly provided in this Restated Certificate, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate, in the manner now or hereafter prescribed by the laws of Delaware and this Restated Certificate, and all rights and powers conferred herein upon stockholders and directors are granted subject to this reservation.

Exhibit A

<u>Form of Stock Legend</u>

The transfer of the shares of **[—]** Common Stock represented by this Certificate is subject to restrictions pursuant to Article Fourth, Part V, Sections 5, 6 and 7 of the Restated Certificate of Incorporation of **[—]**. **[—]** will furnish a copy of its Restated Certificate of Incorporation to the holder of record of this Certificate without charge upon written request addressed to **[—]** at its principal place of business.

WHEREAS, this Restated Certificate of Incorporation shall become effective on October 1, 2010 at 12:01 a.m.

IN WITNESS WHEREOF, UAL Corporation has caused this Restated Certificate of Incorporation to be executed by its duly authorized officer on this 30th day of September, 2010.

UAL Corporation

By: /s/ Thomas J. Sabatino, Jr.

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

Exhibit 3.2

AMENDED AND RESTATED BYLAWS
OF UNITED CONTINENTAL HOLDINGS, INC.

ARTICLE 1

Definitions

As used in these Restated Bylaws, unless the context otherwise requires, the following terms shall have the following meanings:

1.1 "*Assistant Secretary*" means an Assistant Secretary of the Corporation.

1.2 "*Assistant Treasurer*" means an Assistant Treasurer of the Corporation.

1.3 "*Board*" means the Board of Directors of the Corporation.

1.4 "*Chairman*" means the Chairman of the Board of Directors.

1.5 "*Change in Ownership*" means any sale, disposition, transfer or issuance or series of sales, dispositions, transfers and/or issuances of shares of the capital stock by the Corporation or any holders thereof which results in any person or group of persons (as the term "group" is used under the Securities Exchange Act of 1934, as amended), other than the holders of Common Stock, owning capital stock of the Corporation possessing the voting power (under ordinary circumstances and without regard to cumulative voting rights) to elect a majority of the Board.

1.6 "*Chief Executive Officer*" means the Chief Executive Officer of the Corporation.

1.7 "*Common Stock*" means the Common Stock, par value $0.01 per share, of the Corporation.

1.8 "*Corporation*" means United Continental Holdings, Inc.

1.9 "*DGCL*" means the General Corporation Law of the State of Delaware, as amended from time to time.

1.10 "*Director*" means a member of the Board.

1.11 "*Effective Time*" means the date and time of the filing with the Secretary of State of the State of Delaware of the Certificate of Merger (as defined in the Merger Agreement) consummating the Merger (or such later time as may be agreed by the parties to the Merger Agreement and specified in the Certificate of Merger).

1.12 "*Entire Board*" means all Directors who would be in office if there were no vacancies.

1.13 “*Entire Committee*” means, with respect to any committee, all members of such committee who would serve on such committee if there were no vacancies.

1.14 “*Fundamental Change*” means the occurrence of any of the following: (a) any sale, transfer or disposition of more than 50% of the property or assets of the Corporation and its subsidiaries on a consolidated basis (measured either by book value in accordance with generally accepted accounting principles consistently applied or by fair market value determined in the reasonable good faith judgment of the Board) in any transaction or series of transactions (other than sales in the ordinary course of business) and (b) any merger or consolidation to which the Corporation is a party, except for (x) a merger which is effected solely to change the state of incorporation of the Corporation or (y) a merger in which the Corporation is the surviving person and, after giving effect to such merger, the holders of the capital stock of the Corporation as of the date immediately prior to the merger or consolidation shall continue to own the outstanding capital stock of the Corporation possessing the voting power (under ordinary circumstances) to elect a majority of the Board.

1.15 “*General Counsel*” means the General Counsel of the Corporation.

1.16 “*Merger*” means the merger of JT Merger Sub Inc., a Delaware corporation and wholly-owned subsidiary of the Corporation, with and into Continental Airlines, Inc., a Delaware corporation, pursuant to the Merger Agreement.

1.17 “*Merger Agreement*” means that certain Agreement and Plan of Merger dated as of May 2, 2010, by and among the Corporation, Continental Airlines, Inc. and JT Merger Sub Inc., as amended from time to time.

1.18 “*Preferred Stock*” means the Preferred Stock, without par value, of the Corporation.

1.19 “*President*” means the President of the Corporation.

1.20 “*Restated Certificate*” means the Restated Certificate of Incorporation of the Corporation, as amended from time to time.

1.21 “*Restated Bylaws*” means the Amended and Restated Bylaws of the Corporation, as amended from time to time.

1.22 “*Secretary*” means the Secretary of the Corporation.

1.23 “*Stockholders*” means the stockholders of the Corporation.

1.24 “*Treasurer*” means the Treasurer of the Corporation.

1.25 “*Union Directors*” means those directors of the Corporation elected by the holders of Class Pilot MEC Junior Preferred Stock and the Class IAM Junior Preferred Stock pursuant to Article Fourth, Parts II and III of the Restated Certificate.

1.26 “*Vice President*” means a Vice President of the Corporation.

ARTICLE 2

Stockholders' Meetings

2.1 *Annual Meeting.* A meeting of Stockholders shall be held annually for the election of Directors and the transaction of other business at an hour and date as shall be determined by the Board and designated in the notice of meeting.

2.2 *Special Meetings.* Subject to the Restated Certificate, a special meeting of the Stockholders may be called only by (a) both the Chief Executive Officer and the Chairman or (b) the Board, and at an hour and date as shall be determined by them. At any special meeting of Stockholders, no business other than that set forth in the notice thereof given pursuant to Section 2.4 may be transacted.

2.3 *Place of Meetings.* All meetings of Stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be fixed by the Board or as specified or fixed in the respective notices. The Board may, in its sole discretion, determine that a meeting of the Stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the DGCL (or any successor provision thereto). Any previously-scheduled meeting of the Stockholders may be postponed by action of the Board taken prior to the time previously scheduled for such annual meeting of Stockholders.

2.4 *Notices of Stockholders' Meetings.* Except as otherwise provided in Section 2.5 or otherwise required by the Restated Certificate or applicable law, written notice of each meeting of Stockholders, whether annual or special, shall be given to each Stockholder required or permitted to take any action at, or entitled to notice of, such meeting not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, by delivering such notice to him or her, personally, by mail or by electronic transmission in the manner provided by law. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the Stockholder at his or her address as it appears on the stock ledger of the Corporation. Every notice of a meeting of Stockholders shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.

2.5 *Waivers of Notice.* Notwithstanding any other provision in these Restated Bylaws, notice of any meeting of Stockholders shall not be required as to any Stockholder who shall attend such meeting in person or be represented by proxy, except when such Stockholder attends such meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at such meeting because the meeting is not lawfully called or convened. If any Stockholder shall, in person or represented by proxy, waive notice of any meeting, whether before or after such meeting, notice thereof shall not be required as to such Stockholder.

2.6 *Quorum Requirements and Required Vote at Stockholder Meetings.*

(a) Except as otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, at all meetings of Stockholders the presence, in person or represented by proxy, of the holders of outstanding shares representing at least a majority of the total voting power entitled to vote at a meeting of Stockholders shall constitute a quorum for the transaction of business; *provided, however,* that where a separate vote of a class or classes or series of stock is required, the presence in person or represented by proxy of the holders of outstanding shares representing at least a majority of the total voting power of all outstanding shares of such class or classes or series shall constitute a quorum thereof entitled to take action with respect to such separate vote.

(b) Except as otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, each holder of stock of the Corporation entitled to vote on any matter at any meeting of the Stockholders shall be entitled to one vote for each share of such stock standing in the name of such holder on the stock ledger of the Corporation on the record date for the determination of the Stockholders entitled to vote at the meeting. Except as otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, including, without limitation, Section 3.3 hereof, the affirmative vote of a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the subject matter at a meeting of Stockholders at which a quorum is present shall be the act of the Stockholders. Except as required by applicable law, the method of voting and the manner in which votes are counted shall be discretionary with the presiding officer at the meeting.

(c) The holders of a majority in voting power of the shares entitled to vote and present in person or represented by proxy at any meeting of Stockholders, whether or not a quorum is present, may adjourn such meeting to another time and place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally called. Unless otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, no notice of an adjourned meeting need be given.

2.7 *Proxies.* Each Stockholder entitled to vote at a meeting of Stockholders may authorize another person or persons to act for him or her by proxy executed in writing by the Stockholder or as otherwise permitted by law, or by his or her duly authorized attorney-in-fact, but such proxy shall no longer be valid eleven months after the date of such proxy. Such proxy must be filed with the Secretary of the Corporation or his or her representative at or before the time of the meeting.

2.8 *Inspectors.* The Board by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at the meeting of Stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the DGCL. The chairman of the meeting shall fix and announce at the meeting the time of the opening and the closing of the polls for each matter upon which the Stockholders will vote at a meeting.

2.9 *Conduct of Stockholders' Meetings.* The Chief Executive Officer or the Chairman of the Board, as designated by the Board, or, in their absence or the absence of any such designation, the appointee of the presiding officer of the meeting, shall preside at all meetings of Stockholders and may establish such rules of procedure for conducting the meetings as he or she deems fair and reasonable. The Secretary, or in his or her absence an Assistant Secretary, or if none be present, the appointee of the presiding officer of the meeting, shall act as secretary of the meeting.

2.10 *Notice of Stockholder Business and Nominations*.

(a) *Annual Meetings of Stockholders*.

(1) Nominations of persons for election to the Board and the proposal of other business to be considered by the Stockholders may be made at an annual meeting of Stockholders only (A) if brought before the meeting by the Corporation and specified in the Corporation's notice of meeting delivered pursuant to Section 2.4, (B) if brought before the meeting by or at the direction of the Board or (C) if brought before the meeting by a Stockholder who (i) was a Stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf any nomination or proposal is made, only if such beneficial owner was the beneficial owner of shares of capital stock of the Corporation) both at the time of giving of notice provided for in this Section 2.10, and at the time of the meeting, (ii) is entitled to vote at the meeting, and (iii) has complied with this Section 2.10 as to such nominations or other business. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "*Exchange Act*"), and included in the notice of meeting given by or at the direction of the Board, the foregoing clause (C) shall be the exclusive means for a Stockholder to propose business to be considered or to propose any nominations of persons for election to the Board at an annual meeting of the Stockholders.

(2) Without qualification, for any nominations of persons for election to the Board or other business to be properly brought before an annual meeting by a Stockholder, in each case, pursuant to clause (C) of paragraph (a)(1) of this Section 2.10, the Stockholder must (x) have given timely notice thereof in writing and in proper form to the Secretary of the Corporation and (y) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.10. To be timely, a Stockholder's notice shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not more than 120 days and not less than 90 days prior to the one-year anniversary of the preceding year's annual meeting; *provided, however*, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 60 days, from such anniversary date, notice by the Stockholder to be timely must be so delivered, or mailed and received, not later than the close of business on the tenth day following the day on which public announcement of the date of such annual meeting is first made by the Corporation. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a Stockholder's notice. For purposes of this Section 2.10, the term "Proposing Person" means (i) the Stockholder providing the notice of a proposed nomination or other business proposed to be brought before a meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the proposed nomination or other business proposed to be brought before a meeting is made, and (iii) any affiliate or associate (for purposes of these Bylaws, each within the meaning of Rule 12b-2 under the Exchange Act) of such Stockholder or beneficial owner.

(3) To be in proper form, a Stockholder's notice (whether given pursuant to paragraph (a)(2) or paragraph (b) of this Section 2.10) shall set forth:

(A) As to each Proposing Person:

(i) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's stock ledger); and

(ii) the class or series and number of shares of capital stock of the Corporation that are, directly or indirectly, owned of record or beneficially (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the capital stock of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (i) and (ii) are referred to as "*Stockholder Information*");

(B) As to each Proposing Person:

(i) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the capital stock of the Corporation, including due to the fact that the value of such derivative, swap or other transaction is determined by reference to the price, value or volatility of any shares of any class or series of the capital stock of the Corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the capital stock of the Corporation ("*Synthetic Equity Interests*"), which such Synthetic Equity Interests shall be disclosed without regard to whether (x) such derivative, swap or other transactions convey any voting rights in such shares to such Proposing Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transaction;

(ii) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the capital stock of the Corporation;

(iii) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the capital stock of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the capital stock of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the capital stock of the Corporation ("*Short Interests*");

(iv) any rights to dividends on the shares of any class or series of the capital stock of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation;

(v) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the capital stock of the Corporation, or any Synthetic Equity Interests or Short Interests, if any; and

(vi) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the nomination for election of Directors or the other business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (i) through (vi) are referred to as "*Disclosable Interests*"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the Stockholder of record directed to prepare and submit the information required by this Section 2.10 on behalf of a beneficial owner.

(C) As to each person, if any, whom a Proposing Person proposes to nominate for election or reelection as a Director:

(i) all information with respect to such proposed nominee that would be required to be set forth in a Stockholder's notice pursuant to this Section 2.10 if such proposed nominee were a Proposing Person;

(ii) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and

(iii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Proposing Person, on the one hand, and each proposed nominee and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Proposing Person were the "registrant" for purposes of such rule and the proposed nominee were a Director or executive officer of such registrant; and

(D) As to any business other than nominations for election of Directors that a Proposing Person proposes to bring before an annual meeting:

(i) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of any Proposing Person;

(ii) the text of the proposal or business (including the text of any resolutions proposed for consideration); and

(iii) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons and (y) between or among any Proposing Person and any other record or beneficial owner of capital stock of the Corporation (including their names) in connection with the proposal of such business by such Stockholder.

(4) A Stockholder providing notice of a proposed nomination for election to the Board or other business proposed to be brought before a meeting (whether given pursuant to paragraph (a)(2) or paragraph (b) of this Section 2.10) shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is ten business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date for the meeting or, if practicable, any adjournment of postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof). The Corporation may also require any proposed nominee for election to the Board to furnish such other information (i) as may be reasonably required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent Director of the Corporation in accordance with the Corporation's corporate governance guidelines as then in effect or (ii) that could be material to a reasonable Stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

(5) Notwithstanding anything in paragraph (a)(2) of this Section 2.10 to the contrary, in the event that the number of Directors to be elected to the Board at the annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board made by the Corporation at least ten days before the last day a Stockholder could otherwise deliver a notice of nomination in accordance with such paragraph (a)(2) of this Section 2.10, a Stockholder's notice required by this Section 2.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meeting of Stockholders*.

Only such business shall be conducted at a special meeting of Stockholders as shall have been properly brought before the meeting in accordance with Section 2.2. Nominations of persons for election to the Board may be made at a special meeting of Stockholders at which Directors are properly to be elected only (1) by or at the direction of the Board or (2) by any Stockholder who (A) was a Stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf any nomination is made, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving of notice provided for in this Section 2.10 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) complied with this paragraph (b) and paragraph (a)(3) of this Section 2.10 as to such nominations. Without qualification, in order for a Stockholder to present any nominations of persons for election to the Board at such a special meeting, pursuant to clause (2) of this paragraph (b), the Stockholder must (x) have given timely notice thereof in writing and in proper form to the Secretary of the Corporation (which notice shall include disclosure of the information that is required by the applicable provisions of paragraph (a)(3) of this Section 2.10) and (y) provide any updates or supplements to such notice at the times and in the forms required by paragraph (a)(4) of this Section 2.10. To be timely, a Stockholder's notice shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not earlier than the one hundred twentieth day prior to the date of such special meeting and not later than the close of business on the later of (x) the ninetieth day prior to the date of such special meeting and (y) the tenth day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board to be elected at such special meeting. In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a Stockholder's notice as described above.

(c) *General*.

(1) Subject to the rights, if any, of the holders of any series of Preferred Stock to elect additional Directors as may be provided in a designation of rights relating to such series of Preferred Stock, including the holders of the Class Pilot MEC Junior Preferred Stock and the Class IAM Junior Preferred Stock pursuant to Article Fourth, Parts II and III of the Restated Certificate, only persons who are nominated in accordance with this Section 2.10 shall be eligible to serve as Directors and only such business as shall have been brought before the meeting in accordance with this Section 2.10 shall be conducted at a meeting of Stockholders. Nominations for Union Directors shall be made only by the holders of the Class Pilot MEC Junior Preferred Stock and the Class IAM Junior Preferred Stock, and then only in accordance with the procedures and qualification requirements of the Restated Certificate and any stockholder agreements applicable to such nomination process. Except as otherwise provided by law, the Restated Certificate or these Restated Bylaws, the chairman of the meeting shall have the power and duty to determine whether such nomination or business was made in compliance with this Section 2.10 and, if such proposed nomination or business is deemed not to have been properly made, to declare that such nomination or proposal has not been properly brought before the meeting and shall be disregarded and declared to be out of order.

(2) For purposes of this Section 2.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.10, a Stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 2.10. This Section 2.10 is expressly intended to apply to any business proposed to be brought before a meeting of Stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. Nothing in this Section 2.10 shall be deemed to affect any rights of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.11 *List of Stockholders.* It shall be the duty of the Secretary or other officer who has charge of the stock ledger to prepare and make, at least ten (10) days before each annual or special meeting of the Stockholders, a complete list of the Stockholders entitled to vote at such meeting, arranged in alphabetical order, and showing the address of each Stockholder and the number of shares registered in such Stockholder's name. Such list shall be produced and kept available at the times and places required by law. The stock ledger shall be the only evidence as to which Stockholders are the Stockholders entitled to examine the stock ledger or the list required by this Section 2.11, or to vote in person or by proxy at such meeting of the Stockholders.

2.12 *Remote Communication*. For the purposes of these Restated Bylaws, if authorized by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, Stockholders and proxyholders may, by means of remote communication:

(a) participate in a meeting of Stockholders; and

(b) be deemed present in person and vote at a meeting of Stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a Stockholder or proxyholder, (ii) the Corporation shall implement reasonable measures to provide such Stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the Stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any Stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

ARTICLE 3

Board Of Directors

3.1 *Number and Term of Office.* The number and term of office of Directors on the Board shall be determined as provided in the Restated Certificate.

3.2 *Powers.* The Board may, except as otherwise provided in the Restated Certificate or the DGCL, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

3.3 *Election.* Except as otherwise required by applicable law or the Restated Certificate, and notwithstanding Section 2.6(b) hereof, Directors shall be elected by a plurality of the votes cast at a meeting of Stockholders by the holders of shares entitled to vote on their election.

3.4 *Place of Meetings.* Meetings of the Board may be held either within or without the State of Delaware at such place as is indicated in the notice or waiver of notice thereof. It is intended that a majority of the in-person Board meetings in each calendar year shall be held in the Greater Chicago Metropolitan Area.

3.5 *Organization Meeting.* The Board shall meet as soon as practicable after each annual meeting of Stockholders at the place of such annual meeting for the purpose of organization and the transaction of other business. No notice of such meeting of the Board shall be required. Such organization meeting may be held at any other time or place specified in a notice given as hereinafter provided for special meetings of the Board, or in a consent and waiver of notice thereof, signed by all of the Directors.

3.6 *Stated Meetings.* The Board shall from time to time, by resolution adopted by the affirmative vote of at least a majority of the votes entitled to be cast by the Entire Board, appoint the time and place for holding stated meetings of the Board; and such meetings shall thereupon be held at the time and place so appointed, without the giving of any special notice with regard thereto. Any and all business may be transacted at any stated meeting.

3.7 *Special Meetings.* Special meetings of the Board shall be held whenever called by the Secretary of the Board, at the direction of any three Directors, or by the Chairman, or, in the event that the office of the Chairman is vacant, by the Chief Executive Officer, or in the event that the office of the Chairman and Chief Executive Officer are vacant, by the President. Notice of a special meeting shall set forth a description of such meeting and be sent to the Directors as provided in Section 3.8.

3.8 *Notices of Board Meetings.* Notice of any meeting shall be sent to each Director at his or her residence or usual place of business either (a) by reputable overnight delivery service in circumstances to which such service guarantees next day delivery, not later than on the day that is the second business day immediately preceding the day of such meeting, or (b) by facsimile, telex, telegram or electronic mail, not later than twenty-four (24) hours before the time of such meeting. If sent by overnight delivery service, such notice shall be deemed to be given when delivered to such service; if sent by facsimile, telex, telegram or electronic mail, such notice shall be deemed to be given when transmitted. Notice of any meeting of the Board need not however be given to any Director, if waived by him or her in writing or if, subject to applicable law, he or she shall be present at the meeting. Any meeting of the Board shall be a legal meeting without any notice thereof having been given if all of the Directors shall be present thereat, except when a Director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

3.9 *Quorum and Manner of Acting.* Except as otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, the presence at any organization, stated or special meeting of Directors having at least a majority of the votes entitled to be cast by the Entire Board shall constitute a quorum for the transaction of business; and, except as otherwise required by applicable law, the Restated Certificate or these Restated Bylaws, the affirmative vote of a majority of the votes entitled to be cast by the Directors present at any meeting at which a quorum is present shall be the act of the Board. In the absence of a quorum, the affirmative vote of a majority of the votes entitled to be cast by the Directors present may adjourn any meeting, from time to time, until a quorum is present.

3.10 *Telephone Meetings.* Directors or members of any committee of the Board may participate in a meeting of the Board or of such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.10 shall constitute presence in person at such meeting.

3.11 *Chairman of the Board Pro Tempore.* In the absence of both the Chairman and the Chief Executive Officer at any meeting of the Board, the Board may appoint from among its members a Chairman of the Board pro tempore, who shall preside at such meeting, except where otherwise provided by law.

3.12 *Resignation.* Any Director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. Any such resignation shall take effect at the time received by the Corporation, unless the resignation specifies a later effective date or an effective date determined upon the happening of one or more events.

3.13 *Removal of Directors.* Any Director or the entire Board may be removed with or without cause as provided under the DGCL.

3.14 *Vacancies and Newly Created Directorships.* Except as otherwise provided in the Restated Certificate, vacancies and newly created directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, even if less than a quorum, or by a sole remaining Director, and the Directors so chosen shall hold office until the next election of Directors and until their successors are duly elected and qualified or until earlier resignation or removal. If there are no Directors in office, then an election of Directors may be held in the manner provided by statute.

3.15 *Directors' Fees.* The Board shall have authority to determine, from time to time, the amount of compensation that shall be paid to its members for attendance at meetings of the Board or of any committee of the Board, which compensation may be payable currently or deferred.

3.16 *Action Without Meeting.* Any action required or permitted to be taken at any meeting of the Board or any committee of the Board may be taken without a meeting if all of the members of the Board or of any such committee, as the case may be, consent thereto in writing, by electronic transmission or transmissions, or as otherwise permitted by law and, if required by law, the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE 4

Board Committees

4.1 *Designation.*

(a) Except as otherwise provided in the Restated Certificate, the Board may, by resolution adopted by the affirmative vote of at least a majority of the votes entitled to be cast by the Entire Board, designate one or more committees of the Board, each such committee to consist of one or more Directors, and at the Effective Time there shall be the following six committees: an Audit Committee, an Executive Committee, a Finance Committee, a Compensation Committee, a Nominating/Governance Committee and a Public Responsibility Committee. Except as otherwise provided in the Restated Certificate, unless sooner discharged by the affirmative vote of a majority of the votes entitled to be cast by the Entire Board, members of each committee of the Board shall hold office until the organization meeting of the Board in the next subsequent year and until their respective successors are appointed.

(b) So far as practicable, members of each committee of the Board shall be appointed annually at the organization meeting of the Board. The Board may designate one or more Directors as alternate members of any committee of the Board, who may replace any absent or disqualified member at any meeting of such committee. The Nominating/Governance Committee of the Board shall have the power to recommend to the Board a chairman of each committee of the Board by the affirmative vote of a majority of the votes entitled to be cast by all of the members of the Nominating/Governance Committee. The Board shall have the power to appoint one of its members to act as chairman of each committee of the Board.

(c) Notwithstanding the foregoing, except as required by law or otherwise provided in these Restated Bylaws, no committee of the Board will have the authority to (i) issue dividends, distributions or securities, except for issuances of cash or securities pursuant to employee benefit plans; (ii) to approve a Fundamental Change or Change in Ownership, except as may be required in the exercise of fiduciary duties; (iii) to take any action that would require the approval of the Stockholders pursuant to the DGCL; (iv) elect any officer designated as such in Section 5.1 or to fill any vacancy in any such office; (v) designate the Chief Executive Officer or the Chairman of the Board; (vi) fill any vacancy in the Board or any newly created Directorship; (vii) amend these Restated Bylaws; (viii) take any action that under these Restated Bylaws is required to be taken by vote of a specified proportion of the Entire Board or of the Directors at the time in office; or (ix) take any action, the power or authority for which is reserved for the Entire Board pursuant to Section 141(c)(2) of the DGCL, except as otherwise set forth in such Section 141(c)(2).

4.2 *Meetings.*

(a) Stated meetings of any committee of the Board shall be held at such times and at such places as shall be fixed, from time to time, by resolution adopted by the Board or by the affirmative vote of a majority of the votes entitled to be cast by the members of such committee of the Board and upon notification pursuant to Section 4.3 to all the members of such committee. Any and all business may be transacted at any stated meeting of any committee of the Board.

(b) Special meetings of any committee of the Board may be called at any time by the chairman of such committee or by any two members of such committee. Notice of a special meeting of any committee of the Board shall set forth a description of the business to be transacted at such meeting and be sent to the members of such committee of the Board as provided in Section 4.3.

4.3 *Notice of Board Committee Meetings.* Notice of any meeting of any committee of the Board shall be sent to each member of such committee at his or her residence or usual place of business either (a) by reputable overnight delivery service in circumstances to which such service guarantees next day delivery, not later than on the day that is the second business day immediately preceding the day of such meeting, or (b) by facsimile, telex, telegram or electronic mail, not later than twenty-four (24) hours before the time of such meeting. If sent by overnight delivery service, such notice shall be deemed to be given when delivered to such service; if sent by facsimile, telex, telegram or electronic mail, such notice shall be deemed to be given when transmitted. Notice of any meeting of a committee of the Board need not however be given to any member of such committee, if waived by him or her in writing or if, subject to applicable law, he or she shall be present at the meeting. Any meeting of a committee of the Board shall be a legal meeting without any notice thereof having been given if all of the members shall be present thereat except when a Director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

4.4 *Place of Meetings.* Meetings of any committee of the Board may be held either within or without the State of Delaware.

4.5 *Quorum and Voting Requirements of Board Committees.*

(a) The presence of Directors entitled to cast at least a majority of the aggregate number of votes entitled to be cast by all Directors on a committee of the Board shall constitute a quorum for the transaction of business, and any act of a committee of the Board shall require the affirmative vote of at least a majority of the votes entitled to be cast by the Directors present at a meeting of such committee at which a quorum is present.

(b) The members of any committee of the Board shall act only as a committee of the Board, and the individual members of the Board shall have no power as such.

4.6 *Records.* Each committee of the Board shall keep a record of its acts and proceedings and shall report the same, from time to time, to the Board. The Secretary, or, in his or her absence, an Assistant Secretary, shall act as secretary to each committee of the Board, or a committee of the Board may, in its discretion, appoint its own secretary.

4.7 *Vacancies.* Except as otherwise provided in the Restated Certificate, any vacancy in any committee of the Board shall be filled by a majority of the Directors then in office.

4.8 *Committee Procedure*. The Board by resolution or resolutions shall establish the rules of procedure to be followed by each committee, which shall include a requirement that such committee keep regular minutes of its proceedings and deliver to the Secretary the same.

4.9 *Executive Committee*.

(a) In addition to any requirements set forth in the Restated Certificate or these Restated Bylaws, an Executive Committee shall be appointed, to consist of the Chairman, the Chief Executive Officer and three or more other Directors; *provided*, *however*, that at least a majority of the Executive Committee shall consist of Directors who are neither officers nor employees of the Corporation or of any of its affiliated corporations.

(b) Subject to the provisions of the DGCL and these Restated Bylaws, the Executive Committee shall have and may exercise all the powers of the Board in the management of the business and affairs of the Corporation, including, without limitation, the power to authorize the seal of the Corporation to be affixed to all papers that may require it, but excluding any powers granted by the Board to any other committee of the Board.

(c) Subject to any provision in the Restated Certificate or the DGCL, any action herein authorized to be taken by the Executive Committee and which is duly taken by it in accordance herewith shall have the same effect as if such action were taken by the Board.

ARTICLE 5

Officers, Employees and Agents:
Powers And Duties

5.1 *Officers.* The officers of the Corporation, who shall be elected by the Board, may be a Chairman of the Board (who shall be a Director), a Treasurer and one or more Assistant Treasurers, and shall be a Chief Executive Officer, a President, one or more Vice Presidents (who may be further classified by such descriptions as “executive,” “senior,” “assistant,” “staff” or otherwise, as the Board shall determine), a General Counsel, a Secretary and one or more Assistant Secretaries. The Board may also elect, and may delegate power to appoint, such other officers and select such other employees or agents as, from time to time, may appear to be necessary or advisable in the conduct of the affairs of the Corporation. Any officer may also be elected to another office or offices.

5.2 *Term of Office.* Subject to the provisions of the Restated Certificate or these Restated Bylaws, so far as practicable, each officer shall be elected at the organization meeting of the Board in each year, and shall hold office until the organization meeting of the Board in the next subsequent year and until his or her successor is chosen or until his or her earlier death, resignation or removal in the manner hereinafter provided.

5.3 *Resignation and Removal of Officers.* Any officer may resign at any time upon written notice to the Corporation. Subject to the provisions of Section 5.14, any officer may be removed at any time, either for or without cause, by the affirmative vote of at least a majority of the votes entitled to be cast by the Entire Board, at any meeting called for that purpose. The Board may delegate such power of removal as to officers, agents and employees not appointed by the Board. Such removal shall be without prejudice to a person's contract rights, if any, but the appointment of any person as an officer, agent or employee of the Corporation shall not of itself create contract rights.

5.4 *Vacancies.* If any vacancy occurs in any office, the Board may elect a successor to fill such vacancy for the remainder of the term.

5.5 *Chairman of the Board.*

(a) The Board may elect a Director as Chairman of the Board.

(b) The Chairman shall preside at all meetings of the Board at which he or she may be present. The Chairman shall have such other powers and duties as he or she may be called upon by the Board to perform.

(c) Notwithstanding the foregoing, Glenn F. Tilton shall serve as the Chairman of the Board until the earlier of (i) December 31, 2012, or the date that is two years after the Effective Time, whichever is later, and (ii) that date on which Mr. Tilton resigns, is removed pursuant to these Restated Bylaws or dies (the earlier of (i) and (ii), the "*Chairman Succession Date*"), at which time the Board shall take all actions necessary to cause Jeffery A. Smisek to become, and Mr. Smisek shall become, the Chairman of the Board, unless (x) the Nominating/Governance Committee, acting by a vote of a majority of the Entire Committee, recommends to the Board that such actions not be taken by the Board and (y) the Board, acting by a vote of a majority of the Entire Board, accepts such recommendation.

5.6 *Chief Executive Officer.* The Chief Executive Officer shall have general and active control of the business and affairs of the Corporation and, in the absence of the Chairman (or if there be none), he or she shall preside at all meetings of the Board. He or she shall have general power (a) to execute bonds, deeds and contracts in the name of the Corporation, (b) to affix the corporate seal, (c) to sign stock certificates, (d) subject to the provisions of the Restated Certificate, these Restated Bylaws and the approval of the Board, to select all employees and agents of the Corporation whose selection is not otherwise provided for and to fix the compensation thereof, (e) to remove or suspend any employee or agent who shall not have been selected by the Board, (f) to suspend for cause, pending final action by the Board any employee or agent who shall have been selected by the Board and (g) to exercise all the powers usually and customarily performed by the chief executive officer of a corporation. Notwithstanding the foregoing, Mr. Smisek shall be the Chief Executive Officer of the Corporation as of the Effective Time.

5.7 *President.* The President, if not designated as Chief Executive Officer of the Corporation, shall perform such duties as are delegated by the Board, the Chairman or the Chief Executive Officer. In the event of an absence, disability or vacancy in the office of the Chief Executive Officer, the President shall act in the place of the Chief Executive Officer with authority to exercise all his or her powers and perform his or her duties.

5.8 *Vice Presidents and Other Officers.* The several Vice Presidents and other elected officers, including, without limitation, the General Counsel, shall perform all such duties and services as shall be assigned to or required of them, from time to time, by the Board, or the Chief Executive Officer, respectively. In the event of the absence or disability of both the Chairman and the Chief Executive Officer, the President may designate one of the several Vice Presidents to act in his or her place with authority to exercise all of his or her powers and perform his or her duties, provided that the Board may change such designation, or if the President fails or is unable to make such designation, the Board may make such designation at a regular or special meeting called for that purpose.

5.9 *Secretary.* The Secretary shall attend to the giving of notice of all meetings of Stockholders and the Board and shall keep and attest true records of all proceedings thereat. He or she shall have charge of the corporate seal and have authority to attest any and all instruments or writings to which the same may be affixed. He or she shall keep and account for all books, documents, papers and records of the Corporation, except those which are directed to be in charge of the Treasurer, and he or she may delegate responsibility for maintaining the stock ledger to any transfer agent or registrar appointed by the Board. He or she shall have authority to sign stock certificates and shall generally perform all the duties usually appertaining to the office of secretary of a corporation. In the absence of the Secretary, an Assistant Secretary or Secretary pro tempore shall perform his or her duties.

5.10 *Treasurer.* The Treasurer, if any, shall be responsible for the collection, receipt, care, custody and disbursement of the funds of the Corporation and shall deposit or cause to be deposited all funds of the Corporation in and with such depositories as the Board shall, from time to time, direct. He or she shall have the care and custody of all securities owned by the Corporation, and shall deposit such securities with such banks or in such safe deposit vaults, and under such controls, as the Board shall, from time to time, direct. He or she shall disburse funds of the Corporation on the basis of vouchers properly approved for payment by the controller of the Corporation or his or her duly authorized representative. He or she shall be responsible for the maintenance of detailed records of cash and security transactions and shall prepare such reports thereof as may be required. He or she shall have the power to sign stock certificates and to endorse for deposit or collection or otherwise all checks, drafts, notes, bills of exchange or other commercial paper payable to the Corporation and to give proper receipts or discharges therefor. He or she shall have such other duties as are commonly incidental to the office of treasurer of a corporation. In the absence of the Treasurer, an Assistant Treasurer shall perform his or her duties.

5.11 *Additional Powers and Duties.* In addition to the foregoing especially enumerated duties and powers, the officers of the Corporation shall perform such other duties and exercise such further powers as may be provided in these Restated Bylaws or as the Board may, from time to time, determine or as may be assigned to them by any competent superior officer.

5.12 *Compensation.* Except as otherwise provided in the Restated Certificate, the compensation of all officers of the Corporation shall be fixed, from time to time, by the Board or the Compensation Committee, but this power may be delegated to any officer by the Board or the Compensation Committee in accordance with applicable law.

5.13 *Prohibition on Loans to Directors and Executive Officers.* The Corporation shall not directly or indirectly extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any member of the Board or executive officer of the Corporation, as such terms are used in Section 13(k) of the Exchange Act and the rules and regulations promulgated thereunder.

5.14 *Required Board Vote for Removal or Diminution of Duties of Chairman or Chief Executive Officer.* Notwithstanding any provision in these Restated Bylaws to the contrary, at any time prior to the Chairman Succession Date, the Board may not take any of the following actions, unless (x) the Nominating/Governance Committee, acting by a vote of a majority of the Entire Committee, recommends to the Board that such actions be taken by the Board and (y) the Board, acting by a vote of a majority of the Entire Board, accepts such recommendation: (a) the removal of Mr. Tilton from the position of Chairman, (b) the removal of Mr. Smisek from the position of Chief Executive Officer or (c) any material modification of the powers, duties or responsibilities of the Chairman or the Chief Executive Officer under these Restated Bylaws as of the Effective Time.

5.15 *Headquarters.* The Corporation shall maintain its corporate headquarters and related corporate functions in the United Building Chicago, Illinois and maintain its airline operations headquarters in the Willis Tower in Chicago, Illinois. In addition, the Corporation shall maintain a significant presence in Houston, Texas.

ARTICLE 6

Stock And Transfers Of Stock

6.1 *Stock Certificates.* The Common Stock shall be uncertificated. The shares of the Corporation other than the Common Stock shall be represented by certificates or shall be uncertificated. The Board shall have the power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of uncertificated shares or certificates for shares of stock of the Corporation. Each certificate shall be signed by the Chairman or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, certifying the number of certificated shares owned by such Stockholder in the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon a certificate shall cease to be such officer, Transfer Agent or Registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, Transfer Agent or Registrar at the date of issuance.

6.2 *Transfer Agents and Registrars.* The Board may, in its discretion, appoint responsible banks or trust companies as the Board may deem advisable, from time to time, to act as Transfer Agents and Registrars of the stock of the Corporation; and, when such appointments shall have been made, no stock certificate shall be valid until countersigned by one of such Transfer Agents and registered by one of such Registrars.

6.3 *Transfers of Stock.* Transfers of shares of stock of the Corporation shall be made on the stock ledger of the Corporation only upon authorization by the record holder thereof or by such holder's attorney, successor or assignee thereunto authorized by power of attorney (or other proper evidence of succession, assignment or authority to transfer) duly executed and filed with the Corporation's Transfer Agent or Registrar. Except as otherwise provided in the Restated Certificate, and subject to any other transfer restriction applicable thereto, shares of certificated stock may be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificates or by written power of attorney to sell, assign and transfer the same with reasonable assurances given that such endorsement is genuine and that all applicable taxes thereon have been paid, signed by the record holder thereof; but no transfer shall affect the right of the Corporation to pay any dividend upon the stock to the holder of record thereof, or to treat the holder of record as the holder in fact thereof for all purposes, and no transfer shall be valid, except between the parties thereto, until such transfer shall have been made upon the books of the Corporation. No transfer of stock in violation of the provisions of Article Fourth, Part III, Section 1 or Article Fourth, Part IV, Section 1 of the Restated Certificate shall be valid as against the Corporation for any purpose.

6.4 *Lost Certificates.* In case any certificate of stock shall be lost, stolen or destroyed, the Board, in its discretion, may authorize the issuance of a substitute certificate in place of the certificate lost, stolen or destroyed and may cause such substitute certificate to be countersigned by the appropriate Transfer Agent (if any) and registered by the appropriate Registrar (if any), *provided* that, in each such case, the applicant for a substitute certificate shall furnish to the Corporation and to such of its Transfer Agents and Registrars as may require the same, evidence to their satisfaction, in their discretion, of the loss, theft or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may be required by them.

6.5 *Record Date.*

(a) In order that the Corporation may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof, or, subject to applicable law, to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board is authorized, from time to time, to fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such Stockholder meeting, nor more than sixty (60) days prior to any other action.

(b) A determination of Stockholders of record entitled to notice of or to vote at a meeting of Stockholders shall apply to any adjournment of the meeting; *provided*, *however,* that the Board may fix a new record date for the adjourned meeting.

(c) Only Stockholders that are Stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, a meeting of Stockholders and any adjournment thereof or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for any other purpose, as applicable, notwithstanding any transfer of any stock on the stock ledger of the Corporation after any record date so fixed.

ARTICLE 7

Miscellaneous

7.1 *Fiscal Year.* The fiscal year of the Corporation shall be the calendar year.

7.2 *Surety Bonds.* The Treasurer, each Assistant Treasurer and such other officers or agents of the Corporation as the Board may direct, from time to time, shall be bonded for the faithful performance of their duties in such amounts and by such surety companies as the Board may determine. The premiums on such bonds shall be paid by the Corporation and the bonds so furnished shall be in the custody of the Chief Executive Officer or the chief financial officer.

7.3 *Signature of Negotiable Instruments.* All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officer or officers and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board.

7.4 *Subject to Law and Restated Certificate.* All powers, duties and responsibilities provided for in these Restated Bylaws, whether or not explicitly so qualified, are qualified by the provisions of the Restated Certificate and all applicable laws.

7.5 *Voting of Stocks.* Unless otherwise ordered by the Board of Directors, the Chairman of the Board, President and General Counsel shall each have full power and authority, in the name of and on behalf of the Corporation, to attend, act and vote at any meeting of stockholders of a corporation in which the Corporation may hold stock, and, in connection with any such meeting, shall possess and may exercise any and all rights and powers incident to the ownership of such stock which, as the owner thereof, the Corporation might possess and exercise. The Board of Directors from time to time may confer like powers upon any other person or persons.

7.6 *Dividends.* Dividends upon the capital stock may be declared by the Board at any regular or special meeting and may be paid in cash or in property or in shares of the capital stock. Before paying any dividend or making any distribution of profits, the Directors may set apart out of any funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may later or abolish any such reserve or reserves.

7.7 *Corporate Seal.* The seal of the Corporation shall be circular in form and shall bear, in addition to any other emblem or device approved by the Board, the name of the Corporation and the words "Corporate Seal" and "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE 8

Amendments

8.1 *Amendment of these Restated Bylaws.* Except as herein otherwise expressly provided, these Restated Bylaws may be altered or repealed and new bylaws, not inconsistent with any provision of the Restated Certificate or applicable law, may be adopted, either (a) by the affirmative vote of at least a majority of the Directors voting at a meeting of the Board at which a quorum is present or (b) by the affirmative vote of the holders of at least a majority in voting power of the stock entitled to vote thereon, at an annual meeting of Stockholders, or at a special meeting thereof, the notice of which meeting shall include the form of the proposed amendment or supplement to or modification of these Restated Bylaws or of the proposed new bylaws, or a summary thereof; *provided*, *however*, that the Board may not take any of the following actions, unless (x) the Nominating/Governance Committee, acting by a vote of a majority of the Entire Committee, recommends to the Board that such actions be taken by the Board and (y) the Board, acting by a vote of a majority of the Entire Board, accepts such recommendation: any repeal of, amendment to, or adoption of any provision inconsistent with Section 5.5(c), Section 5.14, the last sentence of Section 5.6 or this proviso.

ARTICLE 9

Restated Certificate to Govern

9.1 *Restated Certificate to Govern.* Notwithstanding anything to the contrary herein, if any provision contained herein is inconsistent with or conflicts with a provision of the Restated Certificate, such provision herein shall be superseded by the inconsistent provision in the Restated Certificate, to the extent necessary to give effect to such provision in the Restated Certificate.

Exhibit 4.1

Execution Version

CONTINENTAL AIRLINES, INC.,

AS ISSUER,

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

AS TRUSTEE

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 1, 2010

SUPPLEMENTING AND AMENDING THE INDENTURE DATED AS OF JUNE 10, 2003

(5% Convertible Notes due 2023)

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 1, 2010, (hereinafter called the "Supplemental Indenture"), is by and among CONTINENTAL AIRLINES, INC., a Delaware corporation (hereinafter called the "Company"), UNITED CONTINENTAL HOLDINGS, INC., a Delaware corporation (hereinafter called "UAL") formerly known as UAL Corporation, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as successor to J.P. Morgan Trust Company, National Association, as successor to Bank One, N.A. (hereinafter called the "Trustee").

WHEREAS, the Company and the Trustee are parties to an Indenture, dated as of June 10, 2003 (the "Original Indenture"), relating to the issuance by the Company of 5% Convertible Notes due 2023 (the "2023 Notes");

WHEREAS, the Company is a party to that certain Agreement and Plan of Merger with UAL Corporation and JT Merger Sub Inc., dated as of May 2, 2010 (the "Merger Agreement"), whereby, at the effective time of the transactions contemplated therein (the "Effective Time"), JT Merger Sub Inc. was merged with and into the Company, each share of the Company's Class B common stock, par value $0.01 per share, was converted into 1.05 shares of common stock, par value $0.01 per share, of UAL (the "UAL Common Stock") and the Company is continuing as the surviving corporation and as a wholly-owned subsidiary of UAL (collectively referred to herein as the "Merger");

WHEREAS, the Company and UAL have duly authorized the execution and delivery of this Supplemental Indenture;

WHEREAS, Section 10.09 of the Original Indenture provides that if the Company is a party to a merger or binding share exchange which reclassifies or changes its outstanding Common Stock, the Person obligated to deliver securities upon conversion of the 2023 Notes shall enter into a supplemental indenture;

WHEREAS, the Company has furnished the Trustee with an Officer's Certificate and an Opinion of Counsel complying with the requirements of Section 9.06 of the Original Indenture, stating that the execution of this Supplemental Indenture is authorized or permitted by the Original Indenture;

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Company, UAL and the Trustee and a valid amendment of, and supplement to, the Original Indenture have been done. The entry into this Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Original Indenture;

NOW THEREFORE:

It is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the 2023 Notes, as follows:

ARTICLE I

RELATION TO ORIGINAL INDENTURE;
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions. For all purposes of the Original Indenture and this Supplemental Indenture as they relate to the 2023 Notes, except as otherwise expressly provided or unless the context otherwise requires:

(a) capitalized terms used but not defined herein are used as they are defined in the Original Indenture;

(b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

CONVERSION INTO COMMON STOCK OF UAL

Section 2.1 Effect of Merger. In accordance with Section 10.09 of the Original Indenture, from and after the Effective Time of the Merger, the Holder of a Security may convert it into the amount of UAL Common Stock which such Holder would have received upon consummation of the Merger if such Holder had converted the Security into Common Stock (as defined in the Original Indenture) immediately before the Effective Time of the Merger.

Section 2.2 Adjustments to Conversion Price. As and to the extent required by Section 10.09 of the Original Indenture, the above referenced conversion rights shall be subject to adjustment as a result of events occurring subsequent to the date hereof as nearly equivalent as may be practical to the adjustments provided for in Article X of the Original Indenture.

ARTICLE III

MISCELLANEOUS

Section 3.1 Concerning the Trustee; Force Majeure. The Trustee assumes no duties, responsibilities or liabilities by reason of this Supplemental Indenture other than as set forth in the Original Indenture. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and UAL.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2 Supplemental Indenture Controls. In the event of a conflict or inconsistency between the Original Indenture and this Supplemental Indenture, the provisions of this Supplemental Indenture shall control.

Section 3.3 Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 3.4 Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One originally signed copy is enough to prove this Supplemental Indenture.

Section 3.5 Confirmation of Indenture. The Original Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed by the Company and the Trustee. UAL hereby agrees to be bound by the provisions of Section 2.1 and 2.2 of this Supplemental Indenture. For the avoidance of doubt, UAL does not assume any obligations of the Company under the Original Indenture, as supplemented and amended by this Supplemental Indenture, other than as expressly provided for in this Section 3.5.

Section 3.6 Headings and Table of Contents. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Supplemental Indenture on behalf of the respective parties hereto as of the date first above written.

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman
Name: Gerald Laderman
Title: Senior Vice President – Finance & Treasurer

Attest:

/s/ Gerald W. Clanton
Name: Gerald W. Clanton
Title: Assistant Corporate Secretary

CAL Signature Page
First Supplemental Indenture for 2023 Notes

UNITED CONTINENTAL HOLDINGS, INC.

By: /s/ Zane Rowe

Name: Zane Rowe

Title: Executive Vice President & Chief Financial Officer

Attest:

/s/ Gerald W. Clanton

Name: Gerald W. Clanton

Title: Assistant Corporate Secretary

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: /s/ Rafael Martinez
Name: Rafael Martinez
Title: Senior Associate

Trustee Signature Page
First Supplemental Indenture for 2023 Notes

Exhibit 4.2

Execution Version

CONTINENTAL AIRLINES, INC.,

AS ISSUER,

TO

WILMINGTON TRUST COMPANY,

AS TRUSTEE

FIRST SUPPLEMENTAL INDENTURE

DATED OCTOBER 1, 2010

SUPPLEMENTING AND AMENDING THE INDENTURE
DATED AS OF NOVEMBER 10, 2000

(6% Convertible Junior Subordinated Debentures due 2030)

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of October 1, 2010, (hereinafter called the "Supplemental Indenture"), is between CONTINENTAL AIRLINES, INC., a Delaware corporation (hereinafter called the "Company"), UNITED CONTINENTAL HOLDINGS, INC., a Delaware corporation (hereinafter called "UAL") formerly known as UAL Corporation, and WILMINGTON TRUST COMPANY, a Delaware banking corporation duly organized and existing under the laws of the State of Delaware (hereinafter called the "Trustee").

WHEREAS, The Company and the Trustee are parties to an Indenture, dated as of November 10, 2000 (the "Original Indenture"), relating to the issuance by the Company of 6% Convertible Junior Subordinated Debentures due 2030 (the "2030 Debentures");

WHEREAS, the Company is a party to that certain Agreement and Plan of Merger with UAL Corporation and JT Merger Sub Inc., dated as of May 2, 2010 (the "Merger Agreement"), whereby, at the effective time of the transactions contemplated therein (the "Effective Time"), JT Merger Sub Inc. was merged with and into the Company, each share of the Company's Class B common stock, par value $0.01 per share, was converted into 1.05 shares of common stock of UAL and the Company is continuing as the surviving corporation and as a wholly-owned subsidiary of UAL (collectively referred to herein as the "Merger");

WHEREAS, the Merger constitutes a "Company Transaction" involving a "Common Stock Fundamental Change" within the meaning of Section 13.04 of the Original Indenture;

WHEREAS, the Company has duly authorized the execution and delivery of this Supplemental Indenture;

WHEREAS, the Company has requested the Trustee, and the Trustee has agreed, to join with it in the execution and delivery of this Supplemental Indenture;

WHEREAS, Section 9.01(3) of the Original Indenture provides that the Company and the Trustee, at any time and from time to time, may enter into an indenture supplemental to the Original Indenture, without the consent of any Holders of Securities, to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article XIII of the Original Indenture;

WHEREAS, on the basis of the foregoing, the Trustee has determined that this Supplemental Indenture is in form satisfactory to it;

WHEREAS, the Company has furnished the Trustee with an Officers' Certificate and an Opinion of Counsel in accordance with the requirements of Section 9.03 of the Original Indenture, stating that the execution of this Supplemental Indenture is authorized or permitted by the Original Indenture;

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Company, UAL and the Trustee and a valid amendment of, and supplement to, the Original Indenture have been done. The entry into this Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Original Indenture;

NOW THEREFORE:

It is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the 2030 Debentures, as follows:

ARTICLE I

RELATION TO ORIGINAL INDENTURE; DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions. For all purposes of the Original Indenture and this Supplemental Indenture as they relate to the 2030 Debentures, except as otherwise expressly provided or unless the context otherwise requires:

(a) capitalized terms used but not defined herein are used as they are defined in the Original Indenture;

(b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

CONVERSION INTO COMMON STOCK OF UAL

Section 2.1 Effect of Merger. From and after the Effective Time of the Merger, in accordance with Section 13.04 of the Original Indenture, the Holder of each Security then outstanding shall have the right thereafter to convert such Security only into common stock of the kind received by the holders of Class B Common Stock (as defined in the Original Indenture) in the Merger, in an amount determined pursuant to the provisions of Section 13.07(a)(ii) of the Original Indenture.

Section 2.2 Adjustments to Conversion Price. As and to the extent required by Section 13.04 of the Original Indenture, the conversion rights set forth in Article II of this Supplemental Indenture shall be subject to adjustment as a result of events occurring subsequent to the date hereof as nearly equivalent as may be practicable to the adjustments provided for in Article XIII of the Original Indenture. This Supplemental Indenture shall be deemed to constitute a "constituent document" of the Company and UAL for purposes of Section 13.04 of the Original Indenture.

Section 2.3 Affirmation. The Company hereby affirms its obligations under the Original Indenture, as supplemented by this Supplemental Indenture, including the due and punctual payment of the principal of and interest (including any Additional Payments) on all the Securities and the performance or observance of every covenant of the Original Indenture on the part of the Company to be performed or observed. UAL hereby agrees to be bound by the provisions of Section 2.1 and 2.2 of this Supplemental Indenture. For the avoidance of doubt, UAL does not assume any obligations of the Company under the Original Indenture, as supplemented and amended by this Supplemental Indenture, other than as expressly provided for in this Section 2.3. The Original Indenture, as supplemented and amended by this Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed by the Company and the Trustee.

ARTICLE III

MISCELLANEOUS

Section 3.1 Concerning the Trustee; Force Majeure. The Trustee assumes no duties, responsibilities or liabilities by reason of this Supplemental Indenture other than as set forth in the Original Indenture.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2 Supplemental Indenture Controls. In the event of a conflict or inconsistency between the Original Indenture and this Supplemental Indenture, the provisions of this Supplemental Indenture shall control.

Section 3.3 Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 3.4 Multiple Originals. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One originally signed copy is enough to prove this Supplemental Indenture.

Section 3.5 Headings and Table of Contents. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Supplemental Indenture on behalf of the respective parties hereto as of the date first above written.

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman
Name: Gerald Laderman
Title: Senior Vice President – Finance & Treasurer

Attest:

/s/ Gerald W. Clanton
Name: Gerald W. Clanton
Title: Assistant Corporate Secretary

CAL Signature Page
First Supplemental Indenture for 2030 Debentures

UNITED CONTINENTAL HOLDINGS, INC.

By: /s/ Zane Rowe

Name: Zane Rowe

Title: Executive Vice President & Chief Financial Officer

Attest:

/s/ Gerald W. Clanton

Name: Gerald W. Clanton

Title: Assistant Corporate Secretary

WILMINGTON TRUST COMPANY

By: /s/ Chad May

Name: Chad May

Title: Financial Services Officer

Trustee Signature Page

First Supplemental Indenture for 2030 Debentures

Exhibit 4.3

Execution Version

CONTINENTAL AIRLINES, INC.,

AS ISSUER,

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

AS TRUSTEE

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 1, 2010

SUPPLEMENTING AND AMENDING THE INDENTURE
DATED AS OF JULY 15, 1997

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of October 1, 2010, (hereinafter called the "Fourth Supplemental Indenture"), is by and among CONTINENTAL AIRLINES, INC., a Delaware corporation (hereinafter called the "Company"), UNITED CONTINENTAL HOLDINGS, INC., a Delaware corporation (hereinafter called "UAL") formerly known as UAL Corporation, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as successor to J.P. Morgan Trust Company, National Association, as successor to Bank One, N.A. (hereinafter called the "Trustee").

WHEREAS, the Company and the Trustee are parties to an Indenture, dated as of July 15, 1997 (the "Original Indenture"), relating to the issuance from time to time by the Company of its Securities on terms to be specified at the time of issuance, as supplemented and amended by the First Supplemental Indenture, dated as of January 23, 2002 (the "First Supplemental Indenture"),the Second Supplemental Indenture, dated as of November 13, 2006 (the "Second Supplemental Indenture") and the Third Supplemental Indenture, dated as of December 11, 2009 (the "Third Supplemental Indenture");

WHEREAS, the Company has issued and sold 4.5% Convertible Notes due 2015 (the "2015 Notes") pursuant to the Third Supplemental Indenture;

WHEREAS, the Company is a party to that certain Agreement and Plan of Merger with UAL Corporation and JT Merger Sub Inc., dated as of May 2, 2010 (the "Merger Agreement"), whereby, at the effective time of the transactions contemplated therein (the "Effective Time"), JT Merger Sub Inc. was merged with and into the Company, each share of the Company's Class B common stock, par value $0.01 per share, was converted into 1.05 shares of common stock, par value $0.01 per share, of UAL (the "UAL Common Stock") and the Company is continuing as the surviving corporation and as a wholly-owned subsidiary of UAL (collectively referred to herein as the "Merger");

WHEREAS, the Merger constitutes a Business Combination within the meaning of Section 8.14 of the Third Supplemental Indenture;

WHEREAS, the Company and UAL have duly authorized the execution and delivery of this Fourth Supplemental Indenture;

WHEREAS, the Company has furnished the Trustee with an Opinion of Counsel in accordance with Section 8.4 of the Original Indenture and an Officer's Certificate, stating that the execution of this Fourth Supplemental Indenture is authorized or permitted by the Original Indenture, and has delivered to the Trustee a Board Resolution authorizing the execution and delivery of this Fourth Supplemental Indenture;

WHEREAS, all things necessary to make this Fourth Supplemental Indenture a valid agreement of the Company, UAL and the Trustee and a valid amendment of, and supplement to, the Original Indenture have been done. The entry into this Fourth Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Original Indenture;

NOW THEREFORE:

It is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the 2015 Notes, as follows:

ARTICLE I

RELATION TO ORIGINAL INDENTURE AND THIRD SUPPLEMENTAL INDENTURE; DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions. For all purposes of the Original Indenture, the Third Supplemental Indenture and this Fourth Supplemental Indenture as they relate to the 2015 Notes, except as otherwise expressly provided or unless the context otherwise requires:

(a) capitalized terms used but not defined herein are used as they are defined in the Original Indenture, as amended and supplemented by the Third Supplemental Indenture;

(b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Fourth Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE II

CONVERSION INTO COMMON STOCK OF UCH

Section 2.1 Effect of Merger. In accordance with Section 8.14 of the Third Supplemental Indenture, from and after the Effective Time of the Merger, the right to receive Common Stock (as defined in the Third Supplemental Indenture) upon conversion of the 2015 Notes will be changed into the right to receive, in lieu of such Common Stock, the amount of UAL Common Stock that such Holder of 2015 Notes would have been entitled to receive with respect to such Common Stock upon consummation of the Merger if such Holder had converted the 2015 Notes into Common Stock immediately prior to the consummation of the Merger.

ARTICLE III

MISCELLANEOUS

Section 3.1 Concerning the Trustee; Force Majeure. The Trustee assumes no duties, responsibilities or liabilities by reason of this Fourth Supplemental Indenture other than as set forth in the Original Indenture as amended and supplemented by the Third Supplemental Indenture. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fourth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and UAL.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 3.2 Supplemental Indenture Controls. In the event of a conflict or inconsistency between the Original Indenture, as amended and supplemented by the Third Supplemental Indenture, on the one hand, and this Fourth Supplemental Indenture, on the other hand, the provisions of this Fourth Supplemental Indenture shall control.

Section 3.3 Governing Law. THIS FOURTH SUPPLEMENTAL INDENTURE AND THE 2015 NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 3.4 Multiple Originals. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One originally signed copy is enough to prove this Fourth Supplemental Indenture.

Section 3.5 Confirmation of Indenture. The Original Indenture, as supplemented and amended by the Third Supplemental Indenture and this Fourth Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed by the Company and the Trustee. UAL hereby agrees to be bound by the provisions of Section 2.1 of this Fourth Supplemental Indenture. For the avoidance of doubt, UAL does not assume any obligations of the Company, as supplemented and amended by the Third Supplemental Indenture and this Fourth Supplemental Indenture, other than as expressly provided for in this Section 3.5.

Section 3.6 Headings and Table of Contents. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Fourth Supplemental Indenture on behalf of the respective parties hereto as of the date first above written.

CONTINENTAL AIRLINES, INC.

By: /s/ Gerald Laderman

Name: Gerald Laderman
Title: Senior Vice President – Finance & Treasurer

Attest:

/s/ Gerald W. Clanton

Name: Gerald W. Clanton
Title: Assistant Corporate Secretary

CAL Signature Page
Fourth Supplemental Indenture for 2015 Notes

UNITED CONTINENTAL HOLDINGS, INC.

By: /s/ Zane Rowe

Name: Zane Rowe

Title: Executive Vice President & Chief Financial Officer

Attest:

/s/ Gerald W. Clanton

Name: Gerald W. Clanton

Title: Assistant Corporate Secretary

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: /s/ Rafael Martinez
Name: Rafael Martinez
Title: Senior Associate

Trustee Signature Page
Fourth Supplemental Indenture for 2015 Notes

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in the Current Report (Form 8-K) of United Continental Holdings, Inc. dated October 1, 2010 and to the incorporation by reference in the Registration Statements of United Continental Holdings, Inc. (Form S-8 Nos. 333-158738, 333-151778, 333-150986, 333-131434, 333-165084 and 333-167801, Form S-3 Nos. 333-155794 and 333-143865 and Form S-4 No. 333-167801) of our report dated February 17, 2010, with respect to the consolidated financial statements of Continental Airlines, Inc. as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009.

/s/ Ernst & Young LLP

Houston, Texas
September 30, 2010

Exhibit 99.1

News Release

United Continental Holdings, Inc.
Worldwide Media Relations
312.997.8640 | 713.324.5080
media.relations@united.com | media.relations@coair.com

UNITED AND CONTINENTAL CLOSE MERGER

Company Names Board Members; Begins Trading on NYSE as UAL on Oct. 1, 2010
Customers Will See a More Unified Product in Spring 2011
Airlines Will Continue To Operate Separately Until Receipt of Single Operating Certificate

CHICAGO, Oct. 1, 2010 – United Continental Holdings, Inc. (NYSE: UAL), formerly UAL Corporation, announced today that a wholly owned subsidiary has merged with Continental Airlines, Inc., and that Continental Airlines and United Air Lines, Inc. are now wholly owned subsidiaries of United Continental Holdings, Inc., creating a world-class global airline. Today, the common stock of United Continental Holdings, Inc. begins trading on the New York Stock Exchange under the symbol UAL.

United Continental Holdings, Inc. also announced the members of its board of directors, effective Oct. 1, 2010. The 16-member board includes six independent directors from each of United and Continental, Glenn Tilton, who will serve as non-executive chairman of the board, and Jeff Smisek, who will serve as president and chief executive officer. The independent directors are Kirbyjon H. Caldwell, Carolyn Corvi, W. James Farrell, Jane C. Garvey, Walter Isaacson, Henry L. Meyer III, Oscar Munoz, James J. O'Connor, Laurence E. Simmons, David J. Vitale, John H. Walker and Charles A. Yamarone. Additionally, the board has two union directors: Stephen R. Canale and Captain Wendy J. Morse.

"This is a true merger of equals, bringing together two strong companies and positioning us to succeed in a dynamic and highly competitive global aviation industry. This sets us on a path to create the world's leading airline from a position of strength, with one of the industry's best cash positions, industry-leading revenues and a competitive cost structure," Tilton said. "Drawing from both companies, we have an excellent board of directors and a strong management team, and we have the industry's best people to deliver on the promise of great products and service for our customers, career opportunities for our people and consistent returns for our shareholders."

"We are delighted to announce the successful completion of this merger. With great people, an unparalleled global network, the best new aircraft order book among U.S. network carriers and a commitment to superior products and services, United is well positioned for a bright future," Smisek said. "I look forward to working together with my co-workers around the globe as we begin our journey to create the world's leading airline that delivers best-in-class customer service, increased opportunities for employees, meaningful profitability and sustainable long-term value for our shareholders."

-more-

With approximately $9 billion in unrestricted cash at closing, United expects the merger will deliver $1.0 billion to $1.2 billion in net annual synergies by 2013, including between $800 million and $900 million of incremental annual revenue, from expanded customer options resulting from the greater scope and scale of the network, fleet optimization and expanded service enabled by the broader network of the combined carrier. On a pro-forma basis, the combined company would have annual revenues of $31.4 billion, based on results for the 12 months ending June 30, 2010.

One Team

Continental and United, operating under United Continental Holdings, Inc., will immediately begin the work to fully integrate the two companies. In the near term, customers can expect to interact with each carrier as they always have. Customers flying on Continental will continue to check in at continental.com, or at Continental kiosks and ticket counters, and to be assisted by Continental employees, and customers flying on United will continue to check in at united.com or at United kiosks or ticket counters, and to be assisted by United employees. Customers will continue to earn and redeem frequent-flier miles through the respective loyalty programs of Continental and United until those programs are combined. The company expects that travelers will begin to see a more unified product in the spring of 2011, as the carriers integrate key customer service and marketing activities to deliver a more seamless product.

United and Ready for Takeoff

“Today’s merger closing is a big first step, and I want to thank my co-workers at Continental and United for their incredible efforts to get us to this point,” Smisek said. “We have been moving quickly but thoughtfully on our integration planning, and I’m pleased with the progress we’ve made. We have a lot of hard work ahead as we begin to implement our integration plan, but our co-workers are enthusiastic about the opportunities this merger will bring to them.”

The new company creates a platform for greater job stability, career opportunities, and retirement security for its employees by being part of a larger, financially stronger and more geographically diverse carrier that is better able to compete successfully in the global marketplace.

“Our outstanding team is the most important asset of the new airline,” said Smisek. “We will be working together to provide our co-workers with the right culture, tools and incentives to do their jobs well and to make them proud to work for the new United.”

Transaction Information

The new company’s corporate and operational headquarters will be in Chicago, with a significant presence in Houston, the company’s largest hub. As a result of the merger, Continental shareholders will receive 1.05 shares of United Continental Holdings, Inc. common stock for each share of Continental common stock previously held. UAL Corporation shareholders will now own approximately 55% of the equity of the holding company and former Continental shareholders will now own approximately 45%, including in-the-money convertible securities on an as-converted basis.

The combined company is committed to keeping all stakeholders updated and will give a status update on the integration process in conjunction with its third quarter earnings announcement.

United President and Chief Executive Officer Jeff Smisek will conduct a telephone briefing with the news media today at 9 a.m. CT/10 a.m. ET to discuss the merger closing and what it means for customers, employees, communities and shareholders. To listen to a live broadcast of this briefing, go to UnitedContinentalHoldings.com > Media Center.

Members of the media may also download broadcast quality b-roll video and high-resolution images, and access additional information on the combined company, including director and management biographies at UnitedContinentalHoldings.com > Media Center.

About United Continental Holdings, Inc.

United Continental Holdings, Inc. (NYSE: UAL) is the holding company for both United Airlines and Continental Airlines. Together with United Express, Continental Express and Continental Connection, these airlines operate a total of approximately 5,800 flights a day to 371 airports throughout the Americas, Europe and Asia from their hubs in Chicago, Cleveland, Denver, Guam, Houston, Los Angeles, New York, San Francisco, Tokyo and Washington, D.C. United and Continental are members of Star Alliance, which offers more than 21,200 daily flights to 1,172 airports in 181 countries worldwide through its 28 member airlines. United's and Continental's more than 80,000 employees reside in every U.S. state and in many countries around the world. For more information about United Continental Holdings, Inc., go to UnitedContinentalHoldings.com. For more information about the airlines, see united.com and continental.com, and follow each company on Twitter and Facebook.

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Exhibit 99.2

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year Ended December 31,		
	2009	2008	2007
Operating Revenue:			
Passenger (excluding fees and taxes of $1,476, $1,531 and $1,499, respectively)	$11,138	$13,737	$12,995
Cargo	366	497	453
Other	1,082	1,007	784
Total Operating Revenue	12,586	15,241	14,232
Operating Expenses:			
Aircraft fuel and related taxes	3,317	5,919	4,034
Wages, salaries and related costs	3,137	2,957	3,127
Aircraft rentals	934	976	994
Regional capacity purchase, net	848	1,059	1,113
Landing fees and other rentals	841	853	790
Distribution costs	624	717	682
Maintenance, materials and repairs	617	612	621
Depreciation and amortization	494	438	413
Passenger services	373	406	389
Special charges	145	181	13
Other	1,402	1,437	1,369
Total Operating Expenses	12,732	15,555	13,545
Operating Income (Loss)	(146)	(314)	687
Nonoperating Income (Expense):			
Interest expense	(367)	(376)	(393)
Interest capitalized	33	33	27
Interest income	12	65	160
Gains on sale of investments	—	78	37
Other-than-temporary impairment losses on investments	—	(60)	—
Other, net	29	(121)	38
Total Nonoperating Income (Expense)	(293)	(381)	(131)
Income (Loss) before Income Taxes	(439)	(695)	556
Income Tax Benefit (Expense)	157	109	(117)
Net Income (Loss)	$ (282)	$ (586)	$ 439
Earnings (Loss) per Share:			
Basic	$ (2.18)	$ (5.54)	$ 4.53
Diluted	$ (2.18)	$ (5.54)	$ 4.05
Shares Used for Computation:			
Basic	129	106	97
Diluted	129	106	114

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,546	$ 2,165
Short-term investments	310	478
Total unrestricted cash, cash equivalents and short-term investments	2,856	2,643
Restricted cash, cash equivalents and short-term investments	164	190
Accounts receivable, net of allowance for doubtful receivables of $7 and $7	494	453
Spare parts and supplies, net of allowance for obsolescence of $113 and $102	254	235
Deferred income taxes	203	216
Prepayments and other	402	610
Total current assets	4,373	4,347
Property and Equipment:		
Owned property and equipment:		
Flight equipment	8,769	8,446
Other	1,787	1,694
Flight equipment and other	10,556	10,140
Less: Accumulated depreciation	3,509	3,229
Owned property and equipment, net	7,047	6,911
Purchase deposits for flight equipment	242	275
Capital leases	194	194
Less: Accumulated amortization	63	53
Capital leases, net	131	141
Total property and equipment, net	7,420	7,327
Routes and airport operating rights, net of accumulated amortization of $389 and $375	778	804
Other assets, net	210	208
Total Assets	$12,781	$12,686

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

	December 31, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$ 975	$ 519
Accounts payable	924	1,021
Air traffic and frequent flyer liability	1,855	1,881
Accrued payroll	367	345
Accrued other liabilities	268	708
Total current liabilities	4,389	4,474
Long-Term Debt and Capital Leases	5,291	5,353
Deferred Income Taxes	203	216
Accrued Pension Liability	1,248	1,417
Accrued Retiree Medical Benefits	216	234
Other Liabilities	844	869
Commitments and Contingencies		
Stockholders' Equity:		
Class B common stock - $.01 par, 400,000,000 shares authorized; 138,537,127 and 123,264,534 shares issued and outstanding	1	1
Additional paid-in capital	2,216	2,038
Accumulated deficit	(442)	(160)
Accumulated other comprehensive loss	(1,185)	(1,756)
Total stockholders' equity	590	123
Total Liabilities and Stockholders' Equity	$12,781	$12,686

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2009	2008	2007
Cash Flows from Operating Activities:			
Net income (loss)	$ (282)	$ (586)	$ 439
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	494	438	413
Special charges	145	181	13
Deferred income tax (benefit) expense	(158)	(111)	111
Gains on sale of investments	—	(78)	(37)
Loss on fuel hedge contracts with Lehman Brothers	—	125	—
Other-than-temporary losses on investments	—	60	—
Stock-based compensation related to equity awards	9	16	27
Other adjustments, net	55	(14)	50
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	12	147	(29)
(Increase) decrease in spare parts and supplies	(34)	5	(66)
(Increase) decrease in prepayments and other assets	206	(167)	16
Increase (decrease) in accounts payable	(104)	(10)	71
Increase (decrease) in air traffic and frequent flyer liability	(26)	(86)	255
Increase (decrease) in accrued payroll, pension liability and other	45	(244)	(130)
Net cash (used in) provided by operating activities	362	(324)	1,133
Cash Flows from Investing Activities:			
Capital expenditures	(381)	(373)	(329)
Aircraft purchase deposits refunded (paid), net	29	102	(219)
(Purchase) sale of short-term investments, net	180	115	(314)
Proceeds from sales of investments, net	30	171	65
Expenditures for airport operating rights	(22)	(131)	(116)
Proceeds from sales of property and equipment	64	113	67
Decrease (increase) in restricted cash, cash equivalents and short-term investments	26	(13)	86
Other cash flows from investing activities	(4)	—	—
Net cash used in investing activities	(78)	(16)	(760)
Cash Flows from Financing Activities:			
Payments on long-term debt and capital lease obligations	(610)	(641)	(429)
Proceeds from issuance of long-term debt, net	538	642	26
Proceeds from public offering of common stock, net	158	358	—
Proceeds from issuance of common stock pursuant to stock plans	11	18	35
Net cash provided by (used in) financing activities	97	377	(368)
Net Increase in Cash and Cash Equivalents	381	37	5
Cash and Cash Equivalents - Beginning of Period	2,165	2,128	2,123
Cash and Cash Equivalents - End of Period	$2,546	$2,165	$2,128
Supplemental Cash Flows Information:			
Interest paid	$ 326	$ 365	$ 383
Income taxes paid	$ 1	$ 5	$ 2
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	$ 402	$1,014	$ 190
Reduction of debt in exchange for sale of frequent flyer miles	$ —	$ (38)	$ (37)
Transfer of auction rate securities from available-for-sale to trading	$ —	$ 97	$ —
Common stock issued upon conversion of 4.5% convertible notes	$ —	$ —	$ 170

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(In millions)

	Class B Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at December 31, 2006	92	$ 1	$ 1,411	$ (13)	$ (1,013)	$ 386
Net income	—	—	—	439	—	439
Other comprehensive income:						
Net change in unrealized gain (loss) on derivative instruments	—	—	—	—	45	45
Net change related to employee benefit plans	—	—	—	—	463	463
Total Comprehensive Income						947
Conversion of 4.5% convertible notes	4	—	174	—	—	174
Issuance of common stock pursuant to stock plans	2	—	35	—	—	35
Stock-based compensation	—	—	27	—	—	27
Balance at December 31, 2007	98	1	1,647	426	(505)	1,569
Net loss	—	—	—	(586)	—	(586)
Other comprehensive loss:						
Net change in unrealized gain (loss) on derivative instruments and other	—	—	—	—	(441)	(441)
Net change related to employee benefit plans	—	—	—	—	(810)	(810)
Total Comprehensive Loss						(1,837)
Issuance of common stock pursuant to stock plans	1	—	17	—	—	17
Issuance of common stock pursuant to stock offerings	24	—	358	—	—	358
Stock-based compensation	—	—	16	—	—	16
Balance at December 31, 2008	123	1	2,038	(160)	(1,756)	123
Net loss	—	—	—	(282)	—	(282)
Other comprehensive income:						
Net change in unrealized gain (loss) on derivative instruments and other	—	—	—	—	424	424
Net change related to employee benefit plans	—	—	—	—	305	305
Tax expense on other comprehensive income	—	—	—	—	(158)	(158)
Total Comprehensive Income						289
Issuance of common stock pursuant to stock plans	2	—	11	—	—	11
Issuance of common stock pursuant to stock offerings	14	—	158	—	—	158
Stock-based compensation	—	—	9	—	—	9
Balance at December 31, 2009	139	$ 1	$ 2,216	$ (442)	$ (1,185)	$ 590

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Continental Airlines, Inc., a Delaware corporation, is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2009. Our regional capacity purchase agreements are with ExpressJet Airlines, Inc. ("ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings"), Chautauqua Airlines, Inc. ("Chautauqua"), a wholly-owned subsidiary of Republic Airways Holdings, Inc., Colgan Air, Inc. ("Colgan"), a wholly-owned subsidiary of Pinnacle Airlines Corp., and Champlain Enterprises, Inc. ("CommutAir"). Our regional operations using regional jet aircraft are conducted under the name "Continental Express" and those using turboprop aircraft are conducted under the name "Continental Connection."

As used in these Notes to Consolidated Financial Statements, the terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

We have evaluated subsequent events through February 17, 2010, which is the date these financial statements were issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation. Our consolidated financial statements include the accounts of Continental and all wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

(c) Cash and Cash Equivalents. We classify short-term, highly liquid investments which are readily convertible into cash and have a maturity of three months or less when purchased as cash and cash equivalents. Restricted cash, cash equivalents and short-term investments is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds.

(d) Short-term Investments. Short-term investments primarily include certificates of deposit placed through an account registry service ("CDARS") and auction rate securities. The CDARS we hold have original maturities of 91 days and are insured by the Federal Deposit Insurance Corporation. Short-term investments are classified as available-for-sale or trading securities and are stated at fair value. Trading securities consist of student loan-related auction rate securities for which we have received an option to put the securities back to the broker, discussed in Note 6. Realized gains and losses on specific investments are reflected in non-operating income (expense) in our consolidated statements of operations. Unrealized gains and losses on available-for-sale and trading securities are reflected as a component of accumulated other comprehensive loss and non-operating income (expense) in our consolidated statements of operations, respectively.

(e) Spare Parts and Supplies. Inventories, expendable parts and supplies related to flight equipment are carried at average acquisition cost and are expensed when consumed in operations. An allowance for obsolescence is provided over the remaining lease term or the estimated useful life of the related aircraft, as well as to reduce the carrying cost of spare parts currently identified as excess to the lower of amortized cost or net realizable value. We recorded additions to this allowance for expense of $12 million, $26 million and $11 million in the years ended December 31, 2009, 2008 and 2007, respectively. Spare parts and supplies are assumed to have an estimated residual value of 10% of original cost. These allowances are based on management estimates, which are subject to change.

(f) Property and Equipment. Property and equipment is recorded at cost and is depreciated to estimated residual value over its estimated useful life using the straight-line method. Jet aircraft and rotable spare parts are assumed to have residual values of 15% and 10%, respectively, of original cost; other categories of property and equipment are assumed to have no residual value. The estimated useful lives of our property and equipment are as follows:

	Estimated Useful Life
Jet aircraft and simulators	25 to 30 years
Rotable spare parts	Average lease term or useful life for related aircraft
Buildings and improvements	10 to 30 years
Vehicles and equipment	5 to 10 years
Computer software	3 to 5 years
Capital leases	Shorter of lease term or useful life
Leasehold improvements	Shorter of lease term or useful life

Amortization of assets recorded under capital leases is included in depreciation expense in our consolidated statement of operations.

The carrying amount of computer software was $85 million and $80 million at December 31, 2009 and 2008, respectively. Depreciation expense related to computer software was $30 million, $27 million and $28 million in the years ended December 31, 2009, 2008 and 2007, respectively.

(g) Routes and Airport Operating Rights. Routes represent the right to fly between cities in different countries. Airport operating rights represent gate space and slots (the right to schedule an arrival or departure within designated hours at a particular airport). Routes and international airport operating rights are indefinite-lived intangible assets and are not amortized. Routes and international airport operating rights totaled $701 million and $713 million at December 31, 2009 and 2008, respectively. We perform a test for impairment of our routes and international slots in the fourth quarter of each year. In 2009, we recorded a $12 million non-cash charge to write off intangible route assets related to certain Mexican and Central American locations as a result of our annual impairment analysis. We determined that these routes had no fair value since they are subject to "open skies" agreements and there are no other barriers to flying to these locations. In 2008, we recorded an $18 million non-cash charge to write off an intangible route asset as a result of our decision to move all of our flights between Newark Liberty International Airport ("New York Liberty") and London from London Gatwick Airport to London Heathrow Airport. These write-offs are included in special charges in our consolidated statement of operations.

Airport operating rights at domestic airports totaled $77 million and $91 million at December 31, 2009 and 2008, respectively. These assets are amortized over the stated term of the related lease (for gates) or 20 years (for slots). Amortization expense related to domestic airport operating rights was $14 million for each of the years ended December 31, 2009, 2008 and 2007. We expect annual amortization expense related to domestic airport operating rights to be approximately $14 million in each of the next three years and $8 million and $6 million in 2013 and 2014, respectively.

(h) Measurement of Impairment of Long-Lived Assets. We record impairment losses on long-lived assets, consisting principally of property and equipment and domestic airport operating rights, when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The net carrying value of assets not recoverable is reduced to fair value if lower than the carrying value. In determining the fair market value of the assets, we consider market trends, recent transactions involving sales of similar assets and, if necessary, estimates of future discounted cash flows. See Note 13 for a discussion of aircraft impairment charges.

(i) Revenue/Air Traffic Liability. Passenger revenue is recognized either when transportation is provided or when the ticket expires unused, rather than when a ticket is sold. Revenue is recognized for unused non-refundable tickets on the date of the intended flight if the passenger did not notify us of his or her intention to change the itinerary.

We are required to charge certain taxes and fees on our passenger tickets. These taxes and fees include U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These taxes and fees are legal assessments on the customer. As we have a legal obligation to act as a collection agent with respect to these taxes and fees, we do not include such amounts in passenger revenue. We record a liability when the amounts are collected and relieve the liability when payments are made to the applicable government agency.

Under our capacity purchase agreements with regional carriers, we purchase all of the capacity related to aircraft covered by the contracts and are responsible for selling all of the related seat inventory. We record the related passenger revenue and related expenses, with payments under the capacity purchase agreements reflected as a separate operating expense in our consolidated statement of operations.

The amount of passenger ticket sales not yet recognized as revenue is included in our consolidated balance sheets as air traffic and frequent flyer liability. We perform periodic evaluations of the estimated liability for passenger ticket sales and any adjustments, which can be significant, are included in results of operations for the periods in which the evaluations are completed. These adjustments relate primarily to differences between our statistical estimation of certain revenue transactions and the related sales price, as well as refunds, exchanges, interline transactions and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Revenue from the shipment of cargo and mail is recognized when transportation is provided. Other revenue includes revenue from the sale of frequent flyer miles (see (j) below), ticket change fees, baggage fees, charter services, sublease income on aircraft leased to Holdings but not operated for us and other incidental services. Ticket change fees relate to non-refundable tickets, but are considered a separate transaction from the air transportation because they represent a charge for our additional service to modify a previous sale. Ticket change fees are recognized as other revenue in our consolidated statement of operations at the time the fees are assessed.

(j) Frequent Flyer Program. For those OnePass accounts that have sufficient mileage credits to claim the lowest level of free travel, we record a liability for either the estimated incremental cost of providing travel awards that are expected to be redeemed with us or the contractual rate of expected redemption on alliance carriers. Incremental cost includes the cost of fuel, meals, insurance and miscellaneous supplies, less any fees charged to the passenger for redeeming the rewards, but does not include any costs for aircraft ownership, maintenance, labor or overhead allocation. We recorded an adjustment of $27 million ($0.24 per basic and diluted share) to increase passenger revenue and reduce our frequent flyer liability during 2008 for the impact of redemption fees after we increased them during 2008. A change to these cost estimates, the actual redemption activity, the amount of redemptions on alliance carriers or the minimum award level could have a significant impact on our liability in the period of change as well as future years. The liability is adjusted periodically based on awards earned, awards redeemed, changes in the incremental costs and changes in the OnePass program, and is included in the accompanying consolidated balance sheets as air traffic and frequent flyer liability. Changes in the liability are recognized as passenger revenue in the period of change.

We also sell mileage credits in our frequent flyer program to participating entities, such as credit/debit card companies, alliance carriers, hotels, car rental agencies, utilities and various shopping and gift merchants. Revenue from the sale of mileage credits is deferred and recognized as passenger revenue over the period when transportation is expected to be provided, based on estimates of its fair value. Amounts received in excess of the expected transportation's fair value are recognized in income currently and classified as other revenue. A change to the time period over which the mileage credits are used (currently six to 26 months), the actual redemption activity or our estimate of the amount or fair value of expected transportation could have a significant impact on our revenue in the year of change as well as future years.

Prior to joining Star Alliance in October 2009, we based our estimate of the fair value of transportation related to frequent flyer miles sold on the rates we charged other airlines. In connection with joining Star Alliance, we changed our estimate of the related transportation's fair value to be based on the rate that is equivalent to the fare of a round trip ticket with restrictions similar to a frequent flyer reward. We made this change due to the disparate values of rates charged in reciprocal agreements with other Star Alliance members. The resulting fair values are generally higher than under our former estimates and will result in a larger portion of sales of OnePass miles being deferred and then amortized into passenger revenue and a lower portion being recognized as other revenue.

At December 31, 2009, we estimated that approximately 2.6 million free round-trip travel awards outstanding were expected to be redeemed for free travel on Continental, Continental Express, Continental Connection, CMI or alliance airlines. Our total liability for future OnePass award redemptions for free travel and unrecognized revenue from sales of OnePass miles to other companies was approximately $348 million at December 31, 2009. This liability is recognized as a component of air traffic and frequent flyer liability in our consolidated balance sheets.

(k) Maintenance and Repair Costs. Maintenance and repair costs for owned and leased flight equipment, including the overhaul of aircraft components, are charged to operating expense as incurred. Maintenance and repair costs also include engine overhaul costs covered by cost-per-hour agreements, a majority of which are expensed on the basis of hours flown.

(l) Advertising Costs. We expense the costs of advertising as incurred. Advertising expense was $102 million, $93 million and $106 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(m) Regional Capacity Purchase, Net. Payments made to regional carriers under capacity purchase agreements are reported in regional capacity purchase, net, in our consolidated statement of operations. Regional capacity purchase, net, is net of our rental income on aircraft leased to ExpressJet and flown for us through June 30, 2008. Beginning July 1, 2008, ExpressJet no longer pays us sublease rent for aircraft operated on our behalf.

(n) Foreign Currency Gains (Losses). Foreign currency gains (losses) are recorded as part of other, net non-operating income (expense) in our consolidated statements of operations. Foreign currency gains (losses) were $8 million, $(37) million and $2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(o) Reclassifications. Certain reclassifications have been made in the prior years' consolidated financial statements and related note disclosures to conform to the current year's presentation.

NOTE 2 - ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Codification. Effective July 1, 2009, the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") became the single official source of authoritative, nongovernmental generally accepted accounting principles ("GAAP") in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. Our accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the footnotes to our consolidated financial statements have been changed to refer to the appropriate section of ASC.

Fair Value. In September 2006, the FASB issued guidance which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance is contained in ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC Topic 820"). In February 2008, the FASB deferred the effective date to January 1, 2009 for all nonfinancial assets and liabilities, except for those that are recognized or disclosed at fair value on a recurring basis (that is, at least annually). We adopted the deferred provisions of ASC Topic 820 on January 1, 2009. Application of the new rules affected our annual impairment testing for our international routes and airport operating rights, which we perform as of October 1 of each year. In prior years, we determined the fair value of each route by modeling the expected future discounted cash flows. If the calculated fair value was lower than the carrying value of a route, an impairment loss would have been recognized for the difference between the two amounts. With the adoption of new accounting rules, fair value is now determined as an exit price, representing the price that would be received in an orderly transaction between market participants based on the highest and best use of the asset, rather than as the result of an internally-generated cash flow analysis. Certain of our international routes are to countries that are subject to "open skies" agreements, meaning that all carriers have access to any destination in that country. In these cases, if there are no significant barriers to new entrants to serve the international destination, such as airport slot restrictions or gate availability, there is no market for the route asset and, therefore, it has no fair value under the new definition of fair value. As a result, we recorded a $12 million non-cash special charge in the fourth quarter of 2009 to write off certain of our international routes. The routes written off are not pledged as collateral under our debt agreements. Our compliance with our debt agreements was not affected by this new guidance.

In April 2009, the FASB issued additional guidance for estimating fair value in accordance with ASC Topic 820. The additional guidance addresses estimating fair value when the volume and level of activity for an asset or liability has significantly decreased in relation to normal market activity for the asset or liability. We adopted the provisions of this guidance for the quarter ended June 30, 2009. The adoption did not have a material effect on our consolidated financial statements.

Variable Interest Entities. In June 2009, the FASB issued guidance to change financial reporting by enterprises involved with variable interest entities ("VIEs"). The standard replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a VIE with an approach focused on identifying which enterprise has the power to direct the activities of a VIE and the obligation to absorb losses of the entity or the right to receive the entity's residual returns. This accounting standard is effective for us on January 1, 2010. We are currently evaluating the requirements of this pronouncement and have not determined the impact, if any, that adoption of this standard will have on our consolidated financial statements.

Revenue Arrangements with Multiple Deliverables. In October 2009, the FASB issued guidance that changes the accounting for revenue arrangements with multiple deliverables. The guidance requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices and eliminates the use of the residual method of allocation. The guidance establishes a hierarchy for determining the selling price of a deliverable, based on vendor-specific objective evidence, third-party evidence or estimated selling price. In addition, this guidance expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This accounting standard is effective for us on January 1, 2011 and may change our accounting for the sale of frequent flyer mileage credits discussed in Note 1(j). We may elect to adopt this guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or retrospective application to all applicable revenue arrangements for all periods presented. We are currently evaluating the requirements of this pronouncement and have not determined the impact, if any, that adoption of this standard will have on our consolidated financial statements.

NOTE 3 - EARNINGS PER SHARE

The following table sets forth the components of basic and diluted earnings (loss) per share (in millions):

	2009	2008	2007
Numerator:			
Numerator for basic earnings (loss) per share - net income (loss)	$(282)	$(586)	$439
Effect of dilutive securities - interest expense on:			
5% convertible notes	—	—	12
6% convertible junior subordinated debentures held by subsidiary trust	—	—	12
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions	$(282)	$(586)	$463
Denominator:			
Denominator for basic earnings (loss) per share - weighted average shares	129	106	97
Effect of dilutive securities:			
5% convertible notes	—	—	9
6% convertible junior subordinated debentures held by subsidiary trust	—	—	4
Employee stock options	—	—	4
Dilutive potential shares	—	—	17
Denominator for diluted earnings (loss) per share - weighted-average shares after assumed conversions	129	106	114

The adjustments to net income to determine the numerator for diluted earnings per share are net of the related effect of profit sharing and income taxes, where applicable.

Approximately 14 million and 13 million potential shares of common stock related to convertible debt securities were excluded from the computation of diluted earnings (loss) per share in the year ended December 31, 2009 and 2008, respectively, because they were antidilutive. In addition, approximately eight million, eight million and one million weighted average options to purchase shares of our common stock were excluded from the computation of diluted earnings (loss) per share for the years ended December 31, 2009, 2008 and 2007, respectively, because the effect of including the options would have been antidilutive.

NOTE 4 - LONG-TERM DEBT

Long-term debt at December 31 consisted of the following (in millions):

	2009	2008
Secured		
Notes payable, interest rates of 5.375% to 9.0% (weighted average rate of 7.1% as of December 31, 2009), payable through 2022	$3,066	$2,862
Floating rate notes, with indicated interest rates:		
LIBOR (0.251% on December 31, 2009) plus 0.35% to 1.95%, payable through 2020	1,153	1,345
LIBOR plus 3.375%, payable in 2011	350	350
LIBOR plus 3.125% to 3.25%, payable through 2014	188	192
LIBOR plus 2.5% to 5.0%, payable through 2019	266	157
Advance purchases of mileage credits, implicit interest rates of 5.5% to 6.18%	186	148
Other	5	15
Unsecured		
6.0% convertible junior subordinated debentures, payable in 2030	248	248
4.5% convertible notes, payable in 2015	230	—
Note payable, interest rate of 8.75%, payable in 2011	200	200
5% convertible notes, callable beginning in 2010	169	157
Other	9	—
	6,070	5,674
Less: current maturities	972	516
Total	$5,098	$5,158

Maturities of long-term debt due over the next five years are as follows (in millions):

Year ending December 31,	
2010	$ 972
2011	1,142
2012	584
2013	650
2014	332

Most of our property and equipment, spare parts inventory, certain routes and the outstanding common stock and substantially all of the other assets of our wholly-owned subsidiaries Air Micronesia, Inc. (“AMI”) and CMI are subject to agreements securing our indebtedness.

At December 31, 2009, we also had letters of credit and performance bonds relating to various real estate, customs and aircraft financing obligations in the amount of $109 million with expiration dates through September 2013.

2007 Enhanced Equipment Trust Certificates. In April 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We applied a portion of this financing to 27 Boeing aircraft delivered to us in 2008 and recorded related debt of $1.0 billion. We applied the final portion of this financing to three Boeing 737 aircraft delivered to us in the first half of 2009 and recorded related debt of $121 million. In connection with this financing, enhanced equipment trusts raised $1.1 billion through the issuance of three classes of enhanced equipment trust certificates. Class A certificates, with an aggregate principal amount of $757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of $222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of $168 million, bear interest at 7.339%. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates.

2009-1 Enhanced Equipment Trust Certificates. On July 1, 2009, we obtained financing for 12 currently owned Boeing aircraft and five new Boeing 737-900ER aircraft. A pass-through trust raised $390 million through the issuance of a single class of enhanced equipment trust certificates bearing interest at 9%. During 2009, we issued equipment notes with respect to the 12 currently owned aircraft, resulting in proceeds of $249 million cash for our general corporate purposes, and equipment notes with respect to five new Boeing 737-900ER aircraft, resulting in proceeds of $141 million to finance the purchase of the aircraft. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders are scheduled from January 2010 through July 2016.

2009-2 Enhanced Equipment Trust Certificates. In November 2009, we obtained financing for eight currently owned Boeing aircraft, nine new Boeing 737-800 aircraft and two new Boeing 777 aircraft. These aircraft are expected to be refinanced or delivered by August 31, 2010. In connection with this financing, enhanced equipment trusts raised $644 million through the issuance of two classes of enhanced equipment trust certificates. Class A certificates, with an aggregate principal amount of $528 million, bear interest at 7.25% and Class B certificates, with an aggregate principal amount of $117 million, bear interest at 9.25%. The proceeds from the sale of the certificates are initially being held by a depositary in escrow for the benefit of the certificate holders until we issue equipment notes to the trust, which will purchase such notes with a portion of the escrowed funds. These escrowed funds are not guaranteed by us and are not reported as debt on our consolidated balance sheet because the proceeds held by the depositary are not our assets. Any unused proceeds will be distributed directly to the certificate holders. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in November 2010 and will end in November 2019 for Class A certificates and in May 2017 for Class B certificates.

Other Debt Secured by Aircraft. During 2009, we entered into loan agreements under which we borrowed $180 million. This indebtedness is secured by five new Boeing 737-900ER aircraft and two Boeing 737-800 aircraft that this debt refinanced. During 2008, we obtained $268 million through three separate financings secured by two new Boeing 737-900ER aircraft, seven Boeing 757-200 aircraft and five Boeing 737-700 aircraft.

Advance Purchases of Mileage Credits. On December 30, 2009, we entered into an amendment of our Debit Card Marketing Agreement with JPMorgan Chase Bank, N.A. (“JP Morgan Chase”) under which JP Morgan Chase purchases frequent flyer mileage credits to be earned by One Pass members for making purchases using a Continental branded debit card issued by JP Morgan Chase. The agreement provides for a payment to us of $40 million in early 2010 for the advance purchase of frequent flyer mileage credits beginning January 1, 2016, or earlier in certain circumstances. The purchase of mileage credits has been treated as a loan from JP Morgan Chase with an implicit interest rate of 5.5% and is reported as long-term debt in our consolidated balance sheet.

On June 10, 2008, we entered into an amendment and restatement of our Bankcard Joint Marketing Agreement (the “Bankcard Agreement”) with Chase Bank USA, N.A. (“Chase”), under which Chase purchases frequent flyer mileage credits to be earned by OnePass members for making purchases using a Continental branded credit card issued by Chase. The Bankcard Agreement provides for a payment to us of $413 million, of which $235 million relates to the advance purchase of frequent flyer mileage credits for the year 2016. In connection with the advance purchase of mileage credits, we have provided a security interest to Chase in certain routes and slots, including certain slots at London’s Heathrow Airport. The $235 million purchase of mileage credits has been treated as a loan from Chase with an implicit interest rate of 6.18% and is reported as long-term debt in our consolidated balance sheet. Our liability will be reduced ratably in 2016 as the mileage credits are issued to Chase.

The remaining $178 million received from Chase is in consideration for certain other commitments with respect to the co-branding relationship, including the extension of the term of the Bankcard Agreement until December 31, 2016. This amount is reported in other liabilities in our consolidated balance sheet and is being recognized as other revenue on a straight-line basis over the term of the agreement.

Secured Term Loan Facility. We and CMI have loans under a $350 million secured term loan facility. The loans are secured by certain of our U.S.-Asia routes and related assets, all of the outstanding common stock of our wholly-owned subsidiaries AMI and CMI and substantially all of the other assets of AMI and CMI, including route authorities and related assets. The loans bear interest at a rate equal to the London Interbank Offered Rate (“LIBOR”) plus 3.375% and are due in June 2011. The facility requires us to maintain a minimum balance of unrestricted cash and short-term investments of $1.0 billion at the end of each month. The loans may become due and payable immediately if we fail to maintain the monthly minimum cash balance and upon the occurrence of other customary events of default under the loan documents. If we fail to maintain a minimum balance of unrestricted cash and short-term investments of $1.125 billion, we and CMI will be required to make a mandatory aggregate $50 million prepayment of the loans.

In addition, the facility provides that if the ratio of the outstanding loan balance to the value of the collateral securing the loans, as determined by the most recently delivered periodic appraisal, is greater than 52.5%, we and CMI will be required to post additional collateral or prepay the loans to reestablish a loan-to-collateral value ratio of not greater than 52.5%. We are currently in compliance with the covenants in the facility.

Notes Secured by Spare Parts Inventory. We have two series of notes secured by the majority of our spare parts inventory. The senior equipment notes, which total $190 million in principal amount, bear interest at the three-month LIBOR plus 0.35%. The junior equipment notes, which total $130 million in principal amount, bear interest at the three-month LIBOR plus 3.125%. A portion of the spare parts inventory that serves as collateral for the equipment notes is classified as property and equipment and the remainder is classified as spare parts and supplies, net.

In connection with these equipment notes, we entered into a collateral maintenance agreement requiring us, among other things, to maintain a loan-to-collateral value ratio of not greater than 45% with respect to the senior series of equipment notes and a loan-to-collateral value ratio of not greater than 75% with respect to both series of notes combined. We must also maintain a certain level of rotable components within the spare parts collateral pool. These ratios are calculated semi-annually based on an independent appraisal of the spare parts collateral pool. If any of the collateral ratio requirements are not met, we must take action to meet all ratio requirements by adding additional eligible spare parts to the collateral pool, redeeming a portion of the outstanding notes, providing other collateral acceptable to the bond insurance policy provider for the senior series of equipment notes or any combination of the above actions. We are currently in compliance with these covenants.

Convertible Debt Securities. In December 2009, we issued $230 million in principal amount of 4.5% convertible notes and received proceeds of $224 million. The notes mature on January 15, 2015 and are convertible into our Class B common stock at an initial conversion price of approximately $19.87 per share. We do not have the option to pay the conversion price in cash; however, holders of the notes may require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur. The conversion price may also be adjusted within a specified range in certain circumstances if a change in control of Continental occurs.

Our 5% convertible notes with a principal amount of $175 million and carrying amount of $169 million are convertible into 50 shares of our common stock per $1,000 principal amount at a conversion price of $20 per share. If a holder of the notes exercises the conversion right, in lieu of delivering shares of our common stock, we may elect to pay cash or a combination of cash and shares of our common stock for the notes surrendered. All or a portion of the notes are also redeemable for cash at our option on or after June 18, 2010 at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase all or a portion of their notes at par plus any accrued and unpaid interest on June 15 of 2010, 2013 or 2018. Therefore, we have classified these notes in current maturities of long-term debt and capital leases in our consolidated balance sheet at December 31, 2009. We may at our option choose to pay the repurchase price on those dates in cash, shares of our common stock or any combination thereof. However, if we are required to repurchase all or a portion of the notes, our policy is to settle the notes in cash. Holders of the notes may also require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur.

Because the 5% convertible notes may be settled in either cash or common stock upon conversion, accounting rules require us to separately account for the debt and equity components of the notes in a manner that reflects our nonconvertible debt (unsecured debt) borrowing rate when interest expense is recognized. The debt and equity components recognized for our 5% convertible notes were as follows at December 31 (in millions):

	2009	2008
Principal amount of convertible notes	$175	$175
Unamortized discount	6	18
Net carrying amount	169	157
Additional paid-in capital	64	64

At December 31, 2009, the unamortized discount had a remaining recognition period of approximately 6 months.

The amount of interest expense recognized and effective interest rate for the 5% convertible notes for the year ended December 31 were as follows (in millions):

	2009	2008	2007
Contractual coupon interest	$ 9	$ 9	$ 9
Amortization of discount on 5% convertible notes	12	11	10
Interest expense	$21	$20	$19
Effective interest rate	13%	13%	13%

In November 2000, Continental Airlines Finance Trust II, a Delaware statutory business trust (the “Trust”) of which we own all the common trust securities, completed a private placement of five million 6% convertible preferred securities, called Term Income Deferrable Equity Securities or “TIDES.” The TIDES have a liquidation value of $50 per preferred security and are convertible at any time at the option of the holder into shares of common stock at a conversion rate of $60 per share of common stock (equivalent to approximately 0.8333 share of common stock for each preferred security). Distributions on the preferred securities are payable by the Trust at an annual rate of 6% of the liquidation value of $50 per preferred security.

The sole assets of the Trust are 6% convertible junior subordinated debentures (“convertible subordinated debentures”) with an aggregate principal amount of $248 million as of December 31, 2009 issued by us and which mature on November 15, 2030. The convertible subordinated debentures are redeemable by us, in whole or in part, on or after November 20, 2003 at designated redemption prices. If we redeem the convertible subordinated debentures, the Trust must redeem the TIDES on a pro rata basis having an aggregate liquidation value equal to the aggregate principal amount of the convertible subordinated debentures redeemed. Otherwise, the TIDES will be redeemed upon maturity of the convertible subordinated debentures, unless previously converted.

Taking into consideration our obligations under (i) the preferred securities guarantee relating to the TIDES, (ii) the indenture relating to the convertible subordinated debentures to pay all debt and obligations and all costs and expenses of the Trust (other than U.S. withholding taxes) and (iii) the indenture, the declaration relating to the TIDES and the convertible subordinated debentures, we have fully and unconditionally guaranteed payment of (i) the distributions on the TIDES, (ii) the amount payable upon redemption of the TIDES and (iii) the liquidation amount of the TIDES.

In January 2007, $170 million in principal amount of our 4.5% convertible notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of $40 per share. The remaining $30 million in principal amount was paid on February 1, 2007.

NOTE 5 - LEASES

We lease certain aircraft and other assets under long-term lease arrangements. Other leased assets include real property, airport and terminal facilities, maintenance facilities, training centers and general offices. Most aircraft leases include both renewal options and purchase options. Because renewals of our existing leases are not considered to be reasonably assured at the inception of each lease, rental payments that would be due during the renewal periods are not included in the determination of straight-line rent expense. Leasehold improvements are amortized over the shorter of the related lease term or their useful life. Any purchase options are generally effective at the end of the lease term at the then-current fair market value. Our leases do not include residual value guarantees.

At December 31, 2009, the scheduled future minimum lease payments under capital leases and the scheduled future minimum lease rental payments required under operating leases were as follows (in millions):

	Capital Leases	Operating Leases	
		Aircraft	Non-aircraft
Year ending December 31,			
2010	$ 17	$ 994	$ 462
2011	16	977	426
2012	16	948	513
2013	16	933	376
2014	16	904	359
Later years	385	3,389	3,694
Total minimum lease payments	466	$8,145	$ 5,830
Less: amount representing interest	270		
Present value of capital leases	196		
Less: current maturities of capital leases	3		
Long-term capital leases	$ 193		

At December 31, 2009, we had 449 aircraft under operating leases, including 193 mainline aircraft and 256 regional jets. These operating leases have remaining lease terms ranging up to 15 years. The operating lease amounts for aircraft presented above include a portion of our minimum noncancelable payments under capacity purchase agreements with our other regional carriers which represents the deemed lease commitments on the related aircraft. See Note 16 for a discussion of our regional capacity purchase agreements.

The table above does not include projected sublease income of $139 million to be received through 2015 from other operators related to aircraft that are not operated on our behalf. We expect such sublease income to be $29 million, $29 million, $26 million, $22 million and $22 million in each of the next five years, respectively.

Rent expense for non-aircraft operating leases totaled $578 million, $580 million and $535 million for the years ended December 31, 2009, 2008 and 2007, respectively.

NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting rules for fair value clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

(C) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost)

Assets (liabilities) measured at fair value on a recurring basis during the period include (in millions):

	Carrying Amount as of December 31, 2009	Level 1	Level 2	Level 3	Valuation Technique
Cash and cash equivalents	$ 2,546	$2,546	$ —	$ —	(A)
Short-term investments:					
Auction rate securities	201	—	—	201	(B)
Other	109	109	—	—	(A)
Restricted cash, cash equivalents and short-term investments	164	164	—	—	(A)
Auction rate securities put right	20	—	—	20	(B)
Fuel derivatives	14	—	—	14	(A)
Foreign currency derivatives	5	—	5	—	(A)

Assets measured at fair value on a nonrecurring basis during 2009 include our Boeing 737-300 and 737-500 fleets and related assets. We recorded impairment losses on these assets in the quarter ended June 30, 2009. As a result of the impairments, we measured these assets at fair value at June 30, 2009, as follows (in millions):

	Carrying Amount as of June 30, 2009	Level 1	Level 2	Level 3	Total Losses
Property and Equipment:					
Boeing 737-300 fleet	$ 90	—	—	$ 90	$ (19)
Boeing 737-500 fleet	82	—	—	82	(12)
					$ (31)

We recorded additional losses in the fourth quarter of 2009 associated with these fleet types as discussed in Note 13. Of the $36 million in fourth quarter aircraft related special charges, $23 million was associated with Boeing 737-300 and 737-500 aircraft and parts that had been sent out for sale on consignment.

The determination of fair value of each of these items is discussed below:

Cash, Cash Equivalents and Restricted Cash. Cash, cash equivalents and restricted cash consist primarily of U.S. Government and Agency money market funds and other AAA-rated money market funds with original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Short-Term Investments Other than Auction Rate Securities. Short-term investments other than auction rate securities primarily consist of CDARS. The fair values of these investments are based on observable market data.

Student Loan-Related Auction Rate Securities. At December 31, 2009, we held student loan-related auction rate securities with a fair value of $201 million and a par value of $252 million. These securities were classified as follows (in millions):

	Fair Value	Par Value	Amortized Cost
Short-term investments:			
Available-for-sale	$ 136	$ 166	$ 136
Trading	65	86	N/A
Total	$ 201	$ 252	

These securities are variable-rate debt instruments with contractual maturities generally greater than ten years and whose interest rates are reset every 7, 28 or 35 days, depending on the terms of the particular instrument. These securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the U.S. government. All of the auction rate securities we hold are senior obligations under the applicable indentures authorizing the issuance of the securities. Auctions for these securities began failing in the first quarter of 2008 and have continued to fail, resulting in our holding such securities and the issuers of these securities paying interest adjusted to the maximum contractual rates.

Prior to the first quarter of 2008, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rate and the existence of a liquid market. Although we will earn interest on these investments involved in failed auctions at the maximum contractual rate, the estimated market value of these auction rate securities no longer approximates par value due to the lack of liquidity in the market for these securities at their par value. We recorded losses totaling $60 million during 2008 to reflect the other-than-temporary decline in the fair value of these securities. Following this other-than-temporary impairment, a new amortized cost basis was established for available-for-sale securities equal to the then fair value. The difference between this amortized cost and the cash flows expected to be collected is being accreted as interest income.

We estimated the fair value of these securities to be $201 million at December 31, 2009, taking into consideration the limited sales and offers to purchase securities and using internally-developed models of the expected future cash flows related to the securities. Our models incorporated our probability-weighted assumptions about the cash flows of the underlying student loans and discounts to reflect a lack of liquidity in the market for these securities.

In addition, in 2008, one institution granted us a put right permitting us in 2010 to sell to the institution at their full par value auction rate securities with a par value of $125 million. The institution has also committed to loan us 75% of the market value of these securities at any time until the put right is exercised. The put right is recorded at fair value in prepayments and other assets on our consolidated balance sheet. We determined the fair value based on the difference between the risk-adjusted discounted expected cash flows from the underlying auction rate securities without the put right and with the put right being exercised in 2010. The initial fair value of the put right was $26 million. We have classified the underlying auction rate securities as trading securities and elected the fair value option under the Fair Value Subsections of ASC Topic 825-10, “Financial Instruments,” for the put right, with changes in the fair value of the put right and the underlying auction rate securities recognized in other nonoperating income (expense) currently.

During 2009, we sold, at par, auction rate securities having a par value of $40 million. Most of these securities were sold to the institution that had granted us the put right. We recognized gains on the sales using the specific identification method and recorded losses of the cancellation of the related put rights. The net gains are included in other non-operating income (expense) in our consolidated statement of operations and were not material.

We continue to monitor the market for auction rate securities and consider its impact, if any, on the fair value of our investments. If current market conditions deteriorate further, we may be required to record additional losses on these securities.

<u>Fuel Derivatives</u>. We determine the fair value of our fuel derivatives by obtaining inputs from a broker’s pricing model that is based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. We verify the reasonableness of these inputs by comparing the resulting fair values to similar quotes from our counterparties as of each date for which financial statements are prepared. For derivatives not covered by collateral, we also make an adjustment to incorporate credit risk into the valuation. Due to the fact that certain of the inputs utilized to determine the fair value of the fuel derivatives are unobservable (principally volatility of crude oil prices and the credit risk adjustments), we have categorized these option contracts as Level 3.

<u>Foreign Currency Derivatives</u>. We determine the fair value of our foreign currency derivatives by comparing our contract rate to a published forward price of the underlying currency, which is based on market rates for comparable transactions.

<u>Property and Equipment - Boeing 737-300 and 737-500 Aircraft Fleets</u>. As discussed in Note 13, we wrote down our Boeing 737-300 and 737-500 fleets to their respective fair values in the second quarter of 2009. Fleet assets include owned aircraft, improvements on leased aircraft, rotable spare parts, spare engines and simulators. We estimated the fair values based on current market conditions, the condition of our aircraft and our expected proceeds from the sale of the assets.

Unobservable Inputs. The reconciliation of our assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the year ended December 31, 2009 is as follows (in millions):

	Student Loan-Related Auction Rate Securities	Auction Rate Securities Put Right	Fuel Derivatives
Balance at December 31, 2008	$ 229	$ 26	$ (415)
Purchases, sales, issuances and settlements (net)	(40)	—	393
Gains and losses:			
Reported in earnings:			
Realized	8	(7)	—
Unrealized	1	1	7
Reported in other comprehensive income (loss)	3	—	29
Balance at December 31, 2009	$ 201	$ 20	$ 14

Other Financial Instruments. Other financial instruments that are not subject to the disclosure requirements of ASC Topic 820 are as follows:

- Debt. The fair value of our debt with a carrying value of $6.1 billion at December 31, 2009 and $5.7 billion at December 31, 2008 was approximately $5.8 billion and $4.6 billion, respectively. These estimates were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.
- Investment in COLI Products. In connection with certain of our supplemental retirement plans, we previously held company owned life insurance policies on certain of our employees. We terminated all of the policies in 2009. As of December 31, 2008, the carrying value of the cash surrender value of the life insurance policies was $26 million, which was based on the fair value of the underlying investments.
- Accounts Receivable and Accounts Payable. The fair values of accounts receivable and accounts payable approximated carrying value due to their short-term maturity.

NOTE 7 - HEDGING ACTIVITIES

As part of our risk management program, we use a variety of derivative financial instruments to help manage our risks associated with changes in fuel prices and foreign currency exchange rates. We do not hold or issue derivative financial instruments for trading purposes.

We are exposed to credit losses in the event of non-performance by issuers of derivative financial instruments. To manage credit risks, we select issuers based on credit ratings, limit our exposure to any one issuer under our defined guidelines and monitor the market position with each counterparty.

Fuel Price Risk Management. We routinely hedge a portion of our future fuel requirements, provided the hedges are expected to be cost effective. We have historically entered into swap agreements or purchased call options to protect us against sudden and significant increases in jet fuel prices. We conduct our fuel hedging activities using a combination of jet fuel, crude oil and heating oil contracts. We strive to maintain fuel hedging levels and exposure generally comparable to that of our major competitors, so that our fuel cost is not disproportionate to theirs.

As of December 31, 2009, our projected fuel requirements for 2010 were hedged as follows:

	Maximum Price		Minimum Price	
	% of Expected Consumption	Weighted Average Price (per gallon)	% of Expected Consumption	Weighted Average Price (per gallon)
Gulf Coast jet fuel swaps	1%	$ 1.94	1%	$ 1.94
WTI crude oil swaps	2	1.84	2	1.84
WTI crude oil call options	4	2.20	N/A	N/A
Total	7%		3%	

We account for our fuel derivatives as cash flow hedges and record them at fair value in our consolidated balance sheet with the change in fair value, to the extent effective, being recorded to accumulated other comprehensive income (loss) ("accumulated OCI"), net of applicable income taxes. Fuel hedge gains (losses) are recognized as a component of fuel expense when the underlying fuel being hedged is used. The ineffective portion of our fuel hedges is determined based on the correlation between jet fuel and crude oil or heating oil prices and is included in nonoperating income (expense) in our consolidated statement of operations.

When our fuel hedges are in a liability position, we may be required to post cash collateral with our counterparties. We were not required to post any such collateral at December 31, 2009. Because our fuel hedges were in a net liability position at December 31, 2008, we were required to post cash collateral with our counterparties totaling $171 million. These amounts are reported in prepayments and other current assets in our consolidated balance sheet.

Foreign Currency Exchange Risk Management. We have historically used foreign currency average rate options and forward contracts to hedge against the currency risk associated with our forecasted Japanese yen, British pound, Canadian dollar and euro-denominated cash flows. The average rate options and forward contracts have only nominal intrinsic value at the date contracted. At December 31, 2009, we had forward contracts outstanding to hedge 30% of our projected Japanese yen-denominated cash inflows, primarily from passenger ticket sales, through 2010.

We account for these instruments as cash flow hedges. They are recorded at fair value in our consolidated balance sheet with the offset to accumulated OCI, net of applicable income taxes and hedge ineffectiveness, and are recognized as passenger revenue in the month of sale. We measure hedge effectiveness of average rate options and forward contracts based on the forward price of the underlying currency. Hedge ineffectiveness, if any, is included in other nonoperating income (expense) in our consolidated statement of operations.

Quantitative Disclosures. At December 31, 2009, all of our derivative instruments were designated as cash flow hedges and were reported in our consolidated balance sheet as follows (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Fuel derivatives	Prepayments and other current assets	$ 14	Accrued other current liabilities	$ —
Foreign currency derivatives	Prepayments and other current assets	5	Accrued other current liabilities	—
Total derivatives		$ 19		$ —

The gains and losses related to our derivative instruments reported in our consolidated balance sheet at December 31, 2009 and our consolidated statement of operations for the year ended December 31, 2009 were as follows (in millions):

Cash Flow Hedges	Gain (Loss) Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Recognized in Income (Ineffective Portion)	
		Income Statement Location	Amount	Income Statement Location	Amount
Fuel derivatives	$ 36	Aircraft fuel and related taxes	$ (380)	Other nonoperating income (expense)	$ 7
Foreign currency derivatives	10	Passenger revenue	(2)	Other nonoperating income (expense)	—
Total	$ 46		$ (382)		$ 7

Lehman Brothers, one of the counterparties to our fuel derivative contracts, declared bankruptcy on September 15, 2008. As a result, we determined that our fuel derivative contracts with Lehman Brothers were not highly effective hedges. Therefore, we discontinued hedge accounting for these contracts as of September 15, 2008 and all subsequent changes in the contracts' fair values were reported in earnings. In 2008, we recognized losses of $125 million in other non-operating income (expense) related to the changes in the fair value of these contracts. In January 2009, we settled all open contracts with Lehman Brothers.

NOTE 8 - PREFERRED AND COMMON STOCK

Preferred Stock. On April 14, 2008, Northwest Airlines, Inc. ("Northwest") and Delta Air Lines, Inc. ("Delta") announced that they had entered into a merger agreement. Northwest previously held the one outstanding share of our Series B preferred stock, which prevented us from engaging in certain business combinations or other activities without Northwest's consent. We were entitled to redeem the share of Series B preferred stock for a nominal sum upon the execution of a definitive merger agreement by Northwest with respect to a transaction constituting a change of control of Northwest, which occurred upon Northwest's entry into the merger agreement with Delta. As a result, we redeemed and cancelled the Series B preferred stock in the second quarter of 2008, eliminating Northwest's right to prevent us from engaging in certain business combinations or other activities.

Common Stock. We currently have one class of common stock issued and outstanding, Class B common stock. Each share of common stock is entitled to one vote per share. In August 2009, we completed a public offering of 14.4 million shares of our common stock at a price to the public of $11.20 per share, raising net proceeds of $158 million. In June 2008, we completed a public offering of 11 million shares of our common stock at a price to the public of $14.80 per share, raising net proceeds of $162 million. Additionally, in the fourth quarter of 2008, we completed a public offering of 13 million shares of our common stock at an average price to the public of $15.84 per share, raising net proceeds of $196 million. Proceeds from each of these offerings were used for general corporate purposes. At December 31, 2009, approximately 40 million shares were reserved for future issuance related to the conversion of convertible debt securities and the issuance of stock under our stock incentive plans.

As discussed in Note 4, $170 million in principal amount of our 4.5% convertible notes was converted by the holders into 4.3 million shares of our common stock in January 2007 at a conversion price of $40 per share.

Stockholder Rights Plan. On November 20, 2008, our stockholder rights plan expired. As a result, each outstanding share of our common stock is no longer accompanied by a right. The holders of common stock were not entitled to any payment as a result of the expiration of the rights plan and the rights issued thereunder.

NOTE 9 - STOCK PLANS AND AWARDS

Stock Options. Stock options are awarded with exercise prices equal to the fair market value of our common stock on the date of grant. Management level employee stock options typically vest over a four year period and generally have five year terms. Expense related to each portion of an option grant is recognized on a straight-line basis over the specific vesting period for those options. Outside director stock options vest in full on the date of grant and have ten year terms. Under the terms of our management incentive plans, a change in control would result in options outstanding under those plans becoming exercisable in full.

The table below summarizes stock option transactions pursuant to our plans (share data in thousands):

	2009		2008		2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	7,972	$ 16.65	7,817	$ 17.36	8,991	$ 15.12
Granted	713	$ 9.40	752	$ 10.84	728	$ 35.72
Exercised	(383)	$ 11.72	(375)	$ 12.49	(1,699)	$ 13.39
Cancelled	(188)	$ 23.86	(222)	$ 29.14	(203)	$ 17.29
Outstanding at end of year	8,114	$ 16.08	7,972	$ 16.65	7,817	$ 17.36
Exercisable at end of year	6,550	$ 15.98	6,212	$ 15.08	3,393	$ 15.45

As of December 31, 2009, stock options outstanding at the end of the period had a weighted average contractual life of 2.4 years and an aggregate intrinsic value of $38 million. Options exercisable at December 31, 2009 had a weighted average contractual life of 2.1 years and an aggregate intrinsic value of $28 million.

The fair value of options is determined at the grant date using a Black-Scholes-Merton option-pricing model, which requires us 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 our common stock is assumed to be zero since we historically have not paid dividends and have no current plans to do so in the future. The market price volatility of our common stock is based on the historical volatility of our common stock over a time period equal to the expected term of the option and ending on the grant date. The expected life of the options is based on our historical experience for various work groups. We recognize expense only for those option awards expected to vest, using an estimated forfeiture rate based on our historical experience. The forfeiture rate may be revised in future periods if actual forfeitures differ from our assumptions. The weighted-average fair value of options granted during the year ended December 31 was determined based on the following weighted-average assumptions:

	2009	2008	2007
Risk-free interest rate	2.0%	3.1%	4.9%
Dividend yield	0%	0%	0%
Expected market price volatility of our common stock	86%	62%	57%
Expected life of options (years)	3.9	3.9	3.9
Fair value of options granted	$ 5.75	$ 5.32	$ 16.95

The total intrinsic value of options exercised during the year ended December 31, 2009, 2008 and 2007 was $2 million, $3 million and $45 million, respectively.

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 2009 (share data in thousands):

Options Outstanding

Range of Exercise Prices	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$9.22-$11.72	1,286	4.3	$ 9.59
$11.89	4,333	1.9	$ 11.89
$11.96-$20.31	1,124	2.4	$ 19.21
$20.97-$49.80	1,371	2.3	$ 32.83
$9.22-$49.80	8,114	2.4	$ 16.08

Options Exercisable

Range of Exercise Prices	Number	Weighted Average Exercise Price
$9.22-$11.72	206	$ 9.84
$11.89	4,333	$ 11.89
$11.96-$20.31	1,081	$ 19.34
$20.97-$49.80	930	$ 32.52
$9.22-$49.80	6,550	$ 15.98

Employee Stock Purchase Plan. All of our employees (including CMI employees) are eligible to participate in the 2004 Employee Stock Purchase Plan (the "2004 ESPP"). At the end of each fiscal quarter, participants may purchase shares of our common stock at a discount of 15% off the fair market value of the stock on either the first day or the last day of the quarter (whichever is lower), subject to a minimum purchase price of $10 per share. This discount is reduced to zero as the fair market value approaches $10 per share. If the fair market value is below the $10 per share minimum price on the last day of a quarter, then the participants will not be permitted to purchase the common stock for such quarterly purchase period and we will refund to those participants the amount of their unused payroll deductions. During 2009, 2008 and 2007, approximately 0.5 million, 1.1 million and 0.4 million shares, respectively, of common stock were issued to participants at a weighted-average purchase price of $11.81, $12.76 and $27.84 per share, respectively. On June 10, 2009, our stockholders approved an amendment to the 2004 ESPP, under which we had sold to participants all of the remaining previously authorized shares in the first quarter of 2009. The amendment made 3.5 million shares of common stock available for purchase by participants under the 2004 ESPP and extended the term of the plan to December 31, 2019. In January 2010, 0.2 million shares were purchased related to the fourth quarter of 2009 at a price of $12.82 per share.

Incentive Plan. Our incentive plan for granting equity and performance awards to management level employees and equity awards to non-employee directors expired on October 3, 2009. The plan remains effective solely for purposes of governing the terms of outstanding awards and no further awards may be granted under the plan. On December 1, 2009, our Board of Directors approved our new Incentive Plan 2010, subject to stockholder approval. We expect to submit the new incentive plan to our stockholders for approval in 2010.

Profit Based RSU Awards. We have issued profit based restricted stock unit ("RSUs") awards pursuant to our Long-Term Incentive and RSU Program, which can result in cash payments to our officers upon the achievement of specified profit sharing-based performance targets. The performance targets require that we reach target levels of cumulative employee profit sharing during the performance period and that we have net income calculated in accordance with U.S. generally accepted accounting principles for the applicable fiscal year in which the cumulative profit sharing target is met. To serve as a retention feature, payments related to the achievement of a performance target generally will be made in annual increments over a three-year period to participants who remain continuously employed by us through each payment date. Payments also are conditioned on our having, at the end of the fiscal year preceding the date any payment is made, a minimum unrestricted cash, cash equivalents and short-term investments balance as set by the Human Resources Committee of our Board of Directors. If we do not achieve the minimum cash balance applicable to a payment date, the payment will be deferred until the next payment date (March 1 of the next year), subject to a limit on the number of years payments may be carried forward. Payment amounts are calculated based on the number of RSUs subject to the award, the average closing price of our common stock during the 20 trading days preceding the payment date and the payment percentage set by the Human Resources Committee of our Board of Directors for achieving the applicable profit sharing-based performance target.

We account for the profit based RSU awards as liability awards. Once it is probable that a profit sharing-based performance target will be met, we measure the awards at fair value based on the current stock price. The related expense is recognized ratably over the required service period, which ends on each payment date, after adjustment for changes in the then-current market price of our common stock.

The awards that had a performance period commencing April 1, 2006 and ending December 31, 2009 achieved the highest level cumulative profit sharing performance target based on cumulative profit sharing payments to our broad based employees of $262 million during the performance period. As a result, payments totaling $20 million and $52 million were made in March 2009 and 2008, respectively, with respect to these profit based RSU awards. The third and final payment related to these 1.4 million awards will be made in March 2010.

The 0.5 million RSU awards with a performance period commencing January 1, 2007 and ending December 31, 2009 expired without vesting on December 31, 2009 because the minimum cumulative profit sharing target was not met. No payments will be made with respect to these awards. We have two other grants of profit based RSU awards outstanding at December 31, 2009. The following table sets forth information about these grants:

	2009 Grant	2008 Grant
Initial grant date	February 2009	February 2008
Number of RSU awards outstanding	1.3 million	0.8 million
Performance period	January 1, 2009- December 31, 2011	January 1, 2008- December 31, 2010
Cumulative profit sharing targets (range)	$0-$375 million	$0-$275 million
Cumulative profit sharing achieved to date for applicable performance period	$0	$0
Payment percentages (range)	0%-400%	0%-200%
Probable payment percentage:		
As of December 31, 2009	0%	0%
As of December 31, 2008	N/A	100%
Unrestricted cash, cash equivalents and short-term investments hurdle	$2.2 billion	$2.2 billion

As of December 31, 2009, we had recorded no liability associated with the profit based RSU awards for the performance periods commencing January 1, 2008 or 2009 because we had not achieved, and did not reasonably expect to achieve, any of the cumulative profit sharing-based performance targets for those awards. On December 31, 2009, our enhanced profit sharing plan expired. Pursuant to the terms of the 2008 and 2009 RSU grants, and in order to comply with the provisions of Internal Revenue Code Section 162(m), achievement of a performance target for such grants will continue to be determined under and based upon the definition of annual award pool in the enhanced profit sharing plan that expired on December 31, 2009.

Stock-Based Compensation Expense. Total stock-based compensation expense included in wages, salaries and related costs for the years ended December 31, 2009, 2008 and 2007 was $(3) million, $47 million and $75 million, respectively. As of December 31, 2009, $5 million of compensation cost attributable to future service related to unvested employee stock options and profit based RSU awards with a performance period commencing April 1, 2006 and ending December 31, 2009 had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.2 years.

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss (which are all net of applicable income taxes) were as follows (in millions):

	Defined Benefit Pension and Retiree Medical Benefits Plans		Unrealized Gain (Loss) on Derivative Instruments and Other	Income Tax Benefit (Expense)	Total
	Unrecognized Prior Service Cost	Unrecognized Actuarial Gains (Losses)			
Balance at December 31, 2006	$ (262)	$ (971)	$ (16)	$ 236	$(1,013)
Derivative financial instruments:					
Reclassification into earnings	—	—	(48)	—	(48)
Change in fair value	—	—	93	—	93
Employee benefit plans:					
Reclassification of unrecognized net actuarial loss into earnings	—	97	—	—	97
Reclassification of prior service cost into earnings	30	—	—	—	30
Current year prior service cost	(18)	—	—	—	(18)
Current year actuarial gain	—	354	—	—	354
Balance at December 31, 2007	(250)	(520)	29	236	(505)
Derivative financial instruments:					
Reclassification into earnings	—	—	170	—	170
Change in fair value	—	—	(608)	—	(608)
Unrealized loss on student loan-related auction rate securities	—	—	(3)	—	(3)
Employee benefit plans:					
Reclassification of unrecognized net actuarial loss into earnings	—	85	—	—	85
Reclassification of prior service cost into earnings	31	—	—	—	31
Current year actuarial loss	—	(926)	—	—	(926)
Balance at December 31, 2008	(219)	(1,361)	(412)	236	(1,756)
Derivative financial instruments:					
Reclassification into earnings	—	—	375	—	375
Change in fair value	—	—	46	—	46
Unrealized gain on student loan-related auction rate securities	—	—	3	—	3
Employee benefit plans:					
Reclassification of unrecognized net actuarial loss into earnings	—	138	—	—	138
Reclassification of prior service cost into earnings	31	—	—	—	31
Current year actuarial gain	—	136	—	—	136
Income tax expense	—	—	—	(158)	(158)
Balance at December 31, 2009	$ (188)	$ (1,087)	$ 12	$ 78	$(1,185)

NOTE 11 - EMPLOYEE BENEFIT PLANS

Our employee benefits plans include defined benefit pension plans, defined contribution (including 401(k) savings) plans and a welfare benefit plan, which includes retiree medical benefits. Substantially all of our domestic employees are covered by one or more of these plans.

Defined Benefit Pension Plans. Benefits under our defined benefit pension plans are based on a combination of years of benefit accrual service and an employee's final average compensation. Under the collective bargaining agreement with our pilots ratified on March 31, 2005, which we refer to as the "pilot agreement," future defined benefit accruals for pilots ceased and retirement benefits accruing in the future are provided through two pilot-only defined contribution plans. As required by the pilot agreement, defined benefit pension assets and obligations related to pilots in our primary defined benefit pension plan (covering substantially all U.S. employees other than Chelsea Food Services division ("Chelsea") and CMI employees) were spun out into a separate pilot-only defined benefit pension plan, which we refer to as the "pilot defined benefit pension plan." On May 31, 2005, future benefit accruals for pilots ceased and the pilot defined benefit pension plan was "frozen." As of that freeze date, all existing accrued benefits for pilots (including the right to receive a lump sum payment upon retirement) were preserved in the pilot defined benefit pension plan. Accruals for non-pilot employees under our primary defined benefit pension plan continue.

Retiree Medical Benefits Plans. Our retiree medical programs are self-insured arrangements that permit retirees who meet certain age and service requirements to continue medical coverage between retirement and Medicare eligibility. Eligible employees are required to pay a portion of the costs of their retiree medical benefits, which in some cases may be offset by accumulated unused sick time at the time of their retirement. Plan benefits are subject to co-payments, deductibles and other limits as described in the plans. We account for the retiree medical benefits plan under ASC Topic 715, "Compensation – Retirement Benefits," which requires recognition of the expected cost of benefits over the employee's service period.

Obligation and Funded Status. Our pension and retiree medical benefits obligations are measured as of December 31 of each year. The following table sets forth the changes in projected benefit obligation of the defined benefit pension and retiree medical benefits plans at December 31 (in millions):

	Defined Benefit Pension		Retiree Medical Benefits	
	2009	2008	2009	2008
Accumulated benefit obligation	$2,401	$2,273	N/A	N/A
Benefit obligation at beginning of year	2,482	$2,353	$ 249	$ 252
Service cost	65	59	11	12
Interest cost	153	149	15	16
Actuarial (gains) losses	70	168	(26)	(17)
Participant contributions	—	—	2	2
Benefits paid	(49)	(118)	(18)	(16)
Lump sum settlements	(92)	(129)	—	—
Benefit obligation at end of year	$2,629	$2,482	$ 233	$ 249

The retiree medical benefits plan and certain supplemental defined benefit pension plans are unfunded. The following table sets forth the change in the fair value of the defined benefit pension plans' assets at December 31 (in millions):

	2009	2008
Fair value of plan assets at beginning of year	$1,057	$1,817
Actual gains (losses) on plan assets	268	(618)
Employer contributions, including benefits paid under unfunded plans	187	105
Benefits paid	(49)	(118)
Lump sum settlements	(92)	(129)
Fair value of plan assets at end of year	$1,371	$1,057

The unfunded portion of the defined benefit pension and retiree medical benefits liabilities were recognized in the accompanying consolidated balance sheets at December 31 as follows (in millions):

	Defined Benefit Pension		Retiree Medical Benefits	
	2009	2008	2009	2008
Accrued payroll	$ 10	$ 8	$ 17	$ 15
Accrued pension liability	1,248	1,417	—	—
Accrued retiree medical benefits	—	—	216	234
Funded status of the plans - net underfunded	$1,258	$1,425	$ 233	$ 249

The amounts in accumulated other comprehensive loss that have not yet been recognized as components of net periodic benefit expense at December 31, 2009 were as follows (in millions):

	Defined Benefit Pension	Retiree Medical Benefits
Unrecognized prior service cost	$ 22	$ 166
Unrecognized actuarial (gains) losses	$ 1,174	$ (87)

Unrecognized prior service cost is expensed using a straight-line amortization of the cost over the average future service of employees expected to receive benefits under the plans. The following table sets forth the amounts of unrecognized prior service cost and net actuarial loss recorded in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit expense during 2010 (in millions):

	Defined Benefit Pension	Retiree Medical Benefits
Prior service cost	$ 10	$ 21
Actuarial (gains) losses	$ 87	$ (4)

The following actuarial assumptions were used to determine our benefit obligations at December 31:

	Defined Benefit Pension		Retiree Medical Benefits	
	2009	2008	2009	2008
Weighted average discount rate	6.01%	6.13%	5.57%	6.03%
Weighted average rate of compensation increase	2.30%	2.30%	—	—
Health care cost trend rate	—	—	7.50%	7.50%

The December 31, 2009 health care cost trend rate is assumed to decline gradually to 5% by 2015.

Net periodic defined benefit pension and retiree medical benefits expense for the year ended December 31 included the following components (in millions):

	Defined Benefit Pension			Retiree Medical Benefits		
	2009	2008	2007	2009	2008	2007
Service cost	$ 65	$ 59	$ 61	$ 11	$ 12	$ 11
Interest cost	153	149	158	15	15	14
Expected return on plan assets	(89)	(157)	(137)	—	—	—
Amortization of unrecognized net actuarial (gain) loss	111	34	68	(2)	(1)	(2)
Amortization of prior service cost	10	10	10	21	21	20
Net periodic benefit expense	250	95	160	45	47	43
Settlement charges (included in special charges)	29	52	31	—	—	—
Net benefit expense	$279	$ 147	$ 191	$ 45	$ 47	$ 43

During 2009, 2008 and 2007, we recorded non-cash settlement charges totaling $29 million, $52 million and $31 million, respectively, related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired. Settlement accounting is required if, for a given year, the cost of all settlements exceeds, or is expected to exceed, the sum of the service cost and interest cost components of net periodic pension expense for a plan. Under settlement accounting, unrecognized plan gains or losses must be recognized immediately in proportion to the percentage reduction of the plan's projected benefit obligation.

The following actuarial assumptions were used to determine our net periodic benefit expense for the year ended December 31:

	Defined Benefit Pension			Retiree Medical Benefits		
	2009	2008	2007	2009	2008	2007
Weighted average discount rate	6.13%	6.27%	5.95%	6.03%	6.02%	5.76%
Expected long-term rate of return on plan assets	8.25%	8.50%	8.26%	—	—	—
Weighted average rate of compensation increase	2.30%	2.30%	2.30%	—	—	—
Health care cost trend rate	—	—	—	7.50%	8.00%	8.00%

The 2009 health care cost trend rate is assumed to decline gradually to 5% by 2014.

A one percentage point change in the assumed health care cost trend rate would have the following effect (in millions):

	One Percent Increase	One Percent Decrease
Impact on 2009 retiree medical benefits expense	$ 3	$ (2)
Impact on accrued retiree medical benefits as of December 31, 2009	$ 22	$ (20)

The defined benefit pension plans' assets consist primarily of equity and fixed-income securities held through common collective trusts. The fair values of our defined benefit pension plans' assets as of December 31, 2009 were as follows (in millions):

	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. companies	$ 661	$ —	$ 661	$ —
International companies	292	—	292	
Fixed-income securities	290	—	290	—
Private equity funds	128	—	—	128
Total	$1,371	$ —	$1,243	$ 128

See Note 6 for a discussion of the levels of inputs to determine fair value.

Equity securities include investments in large-cap and small-cap companies. Fixed-income securities include corporate bonds of companies in diversified industries and asset- and mortgage-backed securities. Investments in equity securities and fixed-income securities are commingled funds valued at the unit of participation value of shares held by the plans' trust.

The private equity funds invest primarily in common stock of companies in diversified industries and in buyout, venture capital and special situation funds. Investments in private equity funds are valued at the net asset value of shares held by the plans' trust at year end.

The reconciliation of our defined benefit plans assets measured at fair value using unobservable inputs (Level 3) for the year ended December 31, 2009 is as follows (in millions):

	Private Equity Funds
Balance at December 31, 2008	$ 127
Actual return on plan assets:	
Unrealized gains (losses) relating to assets still held at year end	(2)
Purchases, sales, issuances and settlements (net)	3
Balance at December 31, 2009	$ 128

We develop our expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plans' assets. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the pension plans' investments are periodically rebalanced to our targeted allocation when considered appropriate. Plan assets are allocated within the following guidelines:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities:		
U.S. companies	35-55%	8%
International companies	15-25	9
Fixed-income securities	15-25	5
Other	0-15	11

Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. During 2009, we contributed $176 million to our tax-qualified defined benefit pension plans, satisfying our minimum funding requirements during calendar year 2009. We contributed an additional $34 million to our tax-qualified defined benefit pension plans in January 2010. We estimate that our remaining minimum funding requirements during calendar year 2010 are approximately $85 million.

We project that our defined benefit pension and retiree medical plans will make the following benefit payments, which reflect expected future service and include expected lump sum distributions, during the year ended December 31 (in millions):

	Defined Benefit Pension	Retiree Medical Benefits
2010	$ 155	$ 17
2011	165	17
2012	180	17
2013	192	17
2014	208	18
2015 through 2019	946	105

Defined Contribution Plans for Pilots. As required by the pilot agreement, two pilot-only defined contribution plans were established in 2005. One of these plans is a money purchase pension plan - a type of defined contribution plan subject to the minimum funding rules of the Internal Revenue Code. Contributions under this plan are generally expressed as a percentage of applicable pilot compensation, subject to limits under the Internal Revenue Code. The other pilot-only defined contribution plan is a 401(k) plan that was established by transferring the pilot accounts from our pre-existing primary 401(k) plan (covering substantially all of our U.S. employees other than CMI employees) to a separate pilot-only 401(k) plan. Pilots may make elective pre-tax and/or post-tax contributions to the pilot-only 401(k) plan. In addition, the pilot agreement provides for variable employer contributions to the pilot-only 401(k) plan based on pre-tax profits during a portion of the term of the pilot agreement. To the extent the Internal Revenue Code limits preclude employer contributions called for by the pilot agreement, the disallowed amount will be paid directly to the pilots as current wages under a corresponding nonqualified arrangement. Our expense related to the defined contribution plans for pilots was $77 million, $82 million and $69 million in the years ended December 31, 2009, 2008 and 2007, respectively.

Other 401(k) Plans. We have two other defined contribution 401(k) employee savings plans in addition to the pilot-only 401(k) plan, a 401(k) plan covering substantially all domestic employees except for pilots and a 401(k) plan covering substantially all of the employees of CMI. Participants in the non-pilot 401(k) plans may make elective pre-tax and/or post-tax contributions, and substantially all of those participants who are not and will not become eligible for the Company’s defined benefit pension plans are eligible to receive employer non-elective contributions, expressed as a percentage of applicable compensation, under the non-pilot 401(k) plans. The non-pilot 401(k) plans were amended effective January 1, 2009 to provide for the reinstatement of service-based employer matching contributions for certain workgroups at levels ranging up to 50% of employee contributions of up to 6% of the employee’s salary, based on seniority. Company matching contributions are made in cash. For the years ended December 31, 2009, 2008 and 2007, total expense for these defined contribution plans was $19 million, $6 million and $5 million, respectively.

Profit Sharing Plan. Our enhanced profit sharing plan, which was in place through December 31, 2009, created an award pool for employees of 30% of the first $250 million of annual pre-tax income, 25% of the next $250 million and 20% of amounts over $500 million. Payment of profit sharing to eligible employees would be made under the plan in the fiscal year following the year in which profit sharing is earned and the related expense is recorded. Substantially all of our employees participated in this program except for officers and management directors. We recognized $172 million of profit sharing expense and related payroll taxes in 2007. This amount is included in wages, salaries and related costs in our consolidated statements of operations. As we incurred losses in 2009 and 2008, there was no profit sharing expense in those years.

On December 31, 2009, our enhanced profit sharing plan expired. Effective January 1, 2010, we adopted a new profit sharing plan with a five year term. Our new profit sharing plan creates an award pool of 15% of annual pre-tax income excluding special, unusual or non-recurring items. Generally, the profit sharing pool will be distributed among eligible employees based on an employee’s annual base pay relative to the annual base pay of all employees.

NOTE 12 - INCOME TAXES

Income tax benefit (expense) for the year ended December 31 consisted of the following (in millions):

	2009	2008	2007
Federal:			
Current	$ —	$ (2)	$ (3)
Deferred	143	233	(194)
State:			
Current	(1)	—	(2)
Deferred	15	20	(17)
Foreign:			
Current	—	—	(1)
Tax benefit resulting from intraperiod tax allocation	158	—	—
Valuation allowance	(158)	(142)	100
Total income tax benefit (expense)	$ 157	$ 109	$(117)

We are required to consider all items (including items recorded in other comprehensive income) in determining the amount of tax benefit that results from a loss from continuing operations and that should be allocated to continuing operations. As a result, we recorded a $158 million non-cash tax benefit on the loss from continuing operations for 2009, which is exactly offset by income tax expense on other comprehensive income. However, while the income tax benefit from continuing operations is reported in our consolidated statement of operations, the income tax expense on other comprehensive income is recorded directly to other comprehensive income, which is a component of stockholders' equity. Because the income tax expense on other comprehensive income is equal to the income tax benefit from continuing operations, our net deferred tax position at December 31, 2009 is not impacted by this tax allocation.

The reconciliation of income tax computed at the United States federal statutory tax rate to income tax benefit (expense) for the years ended December 31 is as follows (in millions):

	Amount			Percentage		
	2009	2008	2007	2009	2008	2007
Income tax benefit (expense) at United States statutory rates	$ 154	$ 243	$(194)	35.0%	35.0%	35.0%
State income tax benefit (expense), net of federal benefit (expense)	9	14	(12)	2.0	2.0	2.1
Meals and entertainment disallowance	(4)	(5)	(6)	(1.0)	(0.7)	1.1
Tax benefit resulting from intraperiod tax allocation	158	—	—	36.0	—	—
Valuation allowance	(158)	(142)	100	(36.0)	(20.4)	(18.0)
Other	(2)	(1)	(5)	(0.3)	(0.1)	0.9
Income tax benefit (expense)	$ 157	$ 109	$(117)	35.7 %	15.8 %	21.1%

For financial reporting purposes, income tax benefit recorded on losses results in deferred tax assets. We have concluded that we are required to provide a valuation allowance for net deferred tax assets due to our continued losses and our determination that it is more likely than not that such deferred tax assets would ultimately not be realized. As a result, our losses are generally not reduced by any tax benefit. Consequently, we also did not record any provision for income taxes on our pre-tax income in 2007 because we utilized a portion of the net operating loss carryforwards ("NOLs") for which we had not previously recognized a benefit. In the fourth quarter of 2007, we recorded income tax expense of $114 million to increase the valuation allowance to be fully reserved for certain NOLs, expiring in 2008 through 2011, which more likely than not would not be realized prior to their expiration. In the second quarter of 2008, we recorded an income tax benefit of $28 million resulting from higher utilization of those NOLs than had been previously anticipated. We have approximately $3.9 billion of additional NOLs for federal income tax purposes, which expire between the years 2020 and 2029, available for use to offset future cash income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the related amounts used for income tax purposes. Significant components of our deferred tax assets and (liabilities) as of December 31 were as follows (in millions):

	2009	2008
Fixed assets, intangibles and spare parts	$(1,775)	$(1,767)
Other, net	(58)	—
Gross deferred tax liabilities	(1,833)	(1,767)
Net operating loss carryforwards	1,412	1,355
Pension liability	412	481
Accrued liabilities	516	558
Other, net	56	161
Gross deferred tax assets	2,396	2,555
Valuation allowance	(563)	(788)
Net deferred tax liability	—	—
Less: current deferred tax asset	203	216
Non-current deferred tax liability	$ (203)	$ (216)

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.16% for December 2009). Any unused annual limitation may be carried over to later years. The amount of the limitation may, under certain circumstances, be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. If we were to have an ownership change as of December 31, 2009 under current conditions, our annual NOL utilization could be limited to $103 million per year, before consideration of any built-in gains.

Activity in our deferred tax asset valuation allowance for the year ended December 31 was as follows (in millions):

	2009	2008	2007
Balance at beginning of year	$ 788	$192	$ 473
Valuation allowance (utilized) provided for taxes related to:			
Income (loss) before income taxes	158	142	(100)
Items recorded directly to accumulated other comprehensive loss	(269)	462	(187)
Expiration of NOLs	(115)	—	—
Other	1	(8)	6
Balance at end of year	$ 563	$788	$ 192

Our federal and state income tax returns for years after 2005 remain subject to examination by the taxing authorities.

NOTE 13 - SPECIAL CHARGES

Special charges for the years ended December 31 were as follows (in millions):

	2009	2008	2007
Aircraft-related charges	$ 89	$ 40	$ (22)
Pension settlement charges (see Note 11)	29	52	31
Severance	5	34	—
Route impairment (see Notes 1 and 2)	12	18	—
Other	10	37	4
Total special charges	$145	$181	$ 13

The special charges all relate to our mainline segment unless otherwise noted.

Year Ended December 31, 2009. Aircraft-related charges of $89 million in 2009 include $31 million of non-cash impairments of owned Boeing 737-300 and 737-500 aircraft and related assets, $39 million of other aircraft-related charges and $19 million of losses related to subleasing regional jets.

We recorded a $31 million impairment charge on the Boeing 737-300 and 737-500 fleets related to our decision in June 2008 to retire all of our Boeing 737-300 aircraft and a significant portion of our Boeing 737-500 aircraft by early 2010. We recorded an initial impairment charge in 2008 for each of these fleet types. The additional write-down in 2009 reflects the further reduction in the fair value of these fleet types in the current economic environment. In both periods, we determined that indicators of impairment were present for these fleets. Fleet assets include owned aircraft, improvements on leased aircraft, rotable spare parts, spare engines and simulators. Based on our evaluations, we determined that the carrying amounts of these fleets were impaired and wrote them down to their estimated fair value. We estimated the fair values based on current market quotes and our expected proceeds from the sale of the assets.

We recorded $39 million of other charges related to our mainline fleet, primarily related to the grounding and sale of Boeing 737-300 and 737-500 aircraft and the write-off of certain obsolete spare parts. The 737-300 and 737-500 aircraft fleets and spare parts, a portion of which was being sold on consignment, experienced further declines in fair values during the fourth quarter of 2009 primarily as the result of additional 737 aircraft being grounded by other airlines. During 2009, we sold eight 737-500 aircraft to foreign buyers. Our gains on these sales were not material.

In December 2009, we agreed with ExpressJet to amend our capacity purchase agreement to permit ExpressJet to fly eight ERJ-145 aircraft for another carrier under a capacity purchase agreement. These eight aircraft are subleased from us and were previously flown for us under our capacity purchase agreement. We recorded a $13 million charge in our regional segment based on the difference between the sublease rental and the contracted rental payments on those aircraft during the two and one-half year average initial term of the related sublease agreement.

In July 2009, we entered into agreements to sublease five temporarily grounded ERJ-135 aircraft to Chautauqua beginning in the third quarter of 2009. These aircraft will not be operated for us. The subleases have terms of five years, but may be cancelled by the lessee under certain conditions after an initial term of two years. We recorded a $6 million charge in our regional segment for the difference between the sublease rental income and the contracted rental payments on those aircraft during the initial term of the agreement.

At December 31, 2009, we had four owned and three leased Boeing 737-500 aircraft that were grounded. We had also grounded seven owned and three leased Boeing 737-300 aircraft. The owned Boeing 737-500 and 737-300 aircraft are being carried at aggregate fair values of $33 million and $22 million, respectively. The three leased Boeing 737-300 aircraft were returned to the lessor in January 2010 and the leases on the three Boeing 737-500 aircraft will expire during the first half of 2012. We have also temporarily grounded 25 leased 37-seat ERJ-135 aircraft and have subleased five others for terms of five years. The leases on these 30 ERJ-135 aircraft expire in 2016 through 2018.

If economic conditions deteriorate further, we may incur additional special charges in future periods as we attempt to dispose of our grounded Boeing 737-300 and 737-500 aircraft. Additionally, we may incur further accounting charges as a result of future fleet actions, including costs associated with future lease payments on the 30 ERJ-135 aircraft. We are not able to estimate the amount and timing of these future charges.

During 2009, we announced plans to eliminate certain operational, management and clerical positions across the company. We recorded a charge of $5 million for severance and other costs during the third quarter of 2009 in connection with the reductions in force, furloughs and leaves of absence.

Other special charges in 2009 related primarily to an adjustment to our reserve for unused facilities due to reductions in expected sublease income for a maintenance hangar in Denver.

Year Ended December 31, 2008. Aircraft-related charges of $40 million in 2008 include non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets. Aircraft-related charges in 2008 also includes charges for future lease costs on permanently grounded 737-300 aircraft and gains on the sale of ten Boeing 737-500 aircraft.

In conjunction with the 2008 capacity reductions, we incurred $34 million for severance and continuing medical coverage for employees accepting early retirement packages or company-offered leaves of absence during 2008. Approximately 3,000 positions were eliminated as a result of the capacity reductions, the majority of which were implemented in September 2008.

Other special charges in 2008 related primarily to contract settlements with regional carriers and adjustments to reserves for unused facilities.

Year Ended December 31, 2007. Aircraft related credits of $22 million in 2007 related primarily to the sale of three 737-500 aircraft. Other special charges in 2007 of $4 million related to a change in the mandatory retirement age for our pilots from age 60 to 65 signed into law on December 31, 2007. Because of the extension of the mandatory retirement age, we recorded an additional $4 million liability for the long-term disability plan for our pilots in 2007.

Accrual Activity. Activity related to the accruals for severance and medical costs and future lease payments on permanently grounded aircraft and unused facilities is as follows (in millions):

	Severance/ Medical Costs	Permanently Grounded Aircraft	Unused Facilities
Balance at December 31, 2006	$ —	$ —	$ 10
Accrual	—	—	—
Payments	—	—	(2)
Balance At December 31, 2007	—	—	8
Accrual	34	14	14
Payments	(6)	(4)	(2)
Balance at December 31, 2008	28	10	20
Accrual	5	1	10
Payments	(19)	(9)	(4)
Balance at December 31, 2009	$ 14	$ 2	$ 26
Cumulative accruals January 1, 2007 through December 31, 2009	$ 39	$ 15	$ 24

These accruals and payments relate primarily to our mainline segment. Cash payments related to the accruals for severance and medical costs will be made through the third quarter of 2011. Remaining lease payments on permanently grounded aircraft and unused facilities will be made through 2010 and 2018, respectively.

NOTE 14 - GAINS ON SALES OF INVESTMENTS

Copa. In May 2008, we sold all of our remaining shares of Copa Holdings, S.A. ("Copa") Class A common stock for net proceeds of $149 million and recognized a gain of $78 million.

Holdings. In 2007, we sold all of our shares of the common stock of Holdings, the parent company of ExpressJet, to third parties for cash proceeds of $35 million. We recognized a gain of $7 million as a result of these sales.

ARINC. ARINC, Inc. ("ARINC") develops and operates communications and information processing systems and provides systems engineering and other services to the aviation industry and other industries. In 2007, we sold all of our ARINC common stock and received cash proceeds of $30 million. Our investment in ARINC had no carrying value, resulting in a gain of $30 million.

NOTE 15 - VARIABLE INTEREST ENTITIES

Certain types of entities in which a company absorbs a majority of another entity's expected losses, receives a majority of the other entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the other entity are required to be consolidated. These entities are called "variable interest entities." The principal characteristics of variable interest entities are (1) an insufficient amount of equity to absorb the entity's expected losses, (2) equity owners as a group are not able to make decisions about the entity's activities, or (3) equity that does not absorb the entity's losses or receive the entity's residual returns. "Variable interests" are contractual, ownership or other monetary interests in an entity that change with fluctuations in the entity's net asset value. As a result, variable interest entities can arise from items such as lease agreements, loan arrangements, guarantees or service contracts.

If an entity is determined to be a "variable interest entity," the entity must be consolidated by the "primary beneficiary." The primary beneficiary is the holder of the variable interests that absorbs a majority of the variable interest entity's expected losses or receives a majority of the entity's residual returns in the event no holder has a majority of the expected losses. There is no primary beneficiary in cases where no single holder absorbs the majority of the expected losses or receives a majority of the residual returns. The determination of the primary beneficiary is based on projected cash flows at the inception of the variable interests.

We have variable interests in the following types of variable interest entities:

Aircraft Leases. We are the lessee in a series of operating leases covering the majority of our leased aircraft. The lessors are trusts established specifically to purchase, finance and lease aircraft to us. These leasing entities meet the criteria for variable interest entities. We are generally not the primary beneficiary of the leasing entities if 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 us to participate in increases in the value of the aircraft. This is the case for many of our operating leases; however, leases of approximately 75 mainline jet aircraft contain a fixed-price purchase option that allows us to purchase the aircraft at predetermined prices on specified dates during the lease term. Additionally, leases of substantially all of our 256 leased regional jet aircraft contain an option to purchase the aircraft at the end of the lease term at prices that, depending on market conditions, could be below fair value. We have not consolidated the related trusts because, even taking into consideration these purchase options, we are still not the primary beneficiary based on our cash flow analyses. Our maximum exposure under these leases is the remaining lease payments, which are reflected in future lease commitments in Note 5.

Airport Leases. We are the lessee of real property under long-term operating leases at a number of airports where we are also the guarantor of approximately $1.5 billion of underlying debt and interest thereon. These leases are typically with municipalities or other governmental entities, which are excluded from the consolidation requirements concerning variable interest entities. To the extent our lease and related guarantee are with a separate legal entity other than a governmental entity, we are not the primary beneficiary because the lease terms are consistent with market terms at the inception of the lease and the lease does not include a residual value guarantee, fixed-price purchase option or similar feature as discussed above.

Subsidiary Trust. We have a subsidiary trust that has mandatorily redeemable preferred securities outstanding with a liquidation value of $248 million. The trust is a variable interest entity because we have a limited ability to make decisions about its activities. However, we are not the primary beneficiary of the trust. Therefore, the trust and the mandatorily redeemable preferred securities issued by the trust are not reported on our balance sheets. Instead, we report our 6% convertible junior subordinated debentures held by the trust as long-term debt and interest on the notes is recorded as interest expense for all periods presented in the accompanying financial statements.

NOTE 16 - REGIONAL CAPACITY PURCHASE AGREEMENTS

Capacity Purchase Agreement with ExpressJet

General. In June 2008, we entered into the Second Amended and Restated Capacity Purchase Agreement with ExpressJet and certain of its affiliates (the “ExpressJet CPA”), which amended and restated our capacity purchase agreement with ExpressJet effective July 1, 2008. Under the ExpressJet CPA, we purchase all of the capacity from the ExpressJet flights covered by the agreement at a negotiated price.

Capacity and Fleet Matters. At December 31, 2009, 212 Embraer 50-seat regional jets were being operated as covered aircraft under the ExpressJet CPA. The minimum number of covered aircraft under the ExpressJet CPA is currently 190 regional jets, and will be reduced as leases on covered aircraft expire. ExpressJet also subleases 32 Embraer 50-seat regional jets from us outside of the capacity purchase provisions of the ExpressJet CPA at reduced rental rates. During September 2008, we temporarily grounded all 30 of the subleased 37-seat ERJ 135 aircraft being flown by ExpressJet on our behalf and notified ExpressJet that these aircraft would be withdrawn from the ExpressJet CPA. Five of these aircraft are now subleased to Chautauqua.

Term of Agreement. The ExpressJet CPA will expire in June 2015, with provisions for an appropriate wind-down period, and has no renewal or extension options. We may terminate the agreement at any time for “cause” (as defined in the ExpressJet CPA) and either party may terminate for breach of the agreement, subject to certain notice and cure periods. The ExpressJet CPA also modified our rights under our former capacity purchase agreement by reducing the scope of change-in-control limitations on ExpressJet, reducing restrictions on ExpressJet flying into our hub airports, and removing the most-favored-nation clause relating to agreements ExpressJet may enter into with other airlines.

Compensation and Operational Responsibilities. In exchange for ExpressJet’s operation of the flights and performance of other obligations under the ExpressJet CPA, we have agreed to pay ExpressJet a pre-determined rate, subject to annual inflation adjustments (capped at 3.5%), for each block hour flown (the hours from gate departure to gate arrival) and to reimburse ExpressJet for various pass-through expenses (with no margin or mark-up) related to the flights, including aviation insurance, property taxes, international navigation fees, depreciation (primarily aircraft-related), landing fees and certain maintenance expenses. Under the ExpressJet CPA, we are responsible for the cost of providing fuel for all flights and for paying aircraft rent for all of the aircraft covered by the ExpressJet CPA. The ExpressJet CPA contains incentive bonus and rebate provisions based upon ExpressJet’s operational performance.

Service Agreements. We provide various services to ExpressJet, including loading fuel into aircraft, certain customer services such as ground handling, related airport terminal real estate, certain technology services dedicated to flight opening and closeout processes and aviation insurance procurement. Prior to the July 1, 2008 amendment to the ExpressJet CPA, we charged ExpressJet for these services at rates in accordance with the then-effective capacity purchase agreement. For providing these services, we charged ExpressJet approximately $41 million and $88 million in 2008 and 2007, respectively. Effective July 1, 2008, we still provide these services but do not charge ExpressJet.

Leases. As of December 31, 2009, ExpressJet leased all 212 of the aircraft flown for us under long-term operating leases from us. During the base term of the ExpressJet CPA and an appropriate wind-down period, ExpressJet's lease agreements with us have substantially the same terms as the lease agreements between us and the lessor, except that ExpressJet does not pay us rent on the aircraft operated under the capacity purchase provisions of the ExpressJet CPA. Aircraft will be removed from the ExpressJet CPA as their lease period ends. Upon expiration of the ExpressJet CPA, ExpressJet has the option to retain up to 150 aircraft through the remaining lease terms and replacing us as the primary obligor under the leases, releasing us from all obligations related to the leases. ExpressJet also leases or subleases, under various operating leases, ground equipment and substantially all of its ground facilities, including facilities at public airports, from us or the municipalities or agencies owning and controlling such airports. If ExpressJet defaults on any of its payment obligations with us, we are entitled to reduce any payments required to be made by us to ExpressJet under the ExpressJet CPA by the amount of the defaulted payment.

As of December 31, 2009, ExpressJet subleased from us and operated 32 aircraft outside of the capacity purchase provisions of ExpressJet CPA. The lease agreements for these aircraft have substantially the same terms as the lease agreements between us and the lessor, except that ExpressJet pays us reduced rent on these aircraft. Our total rental income related to all leases with ExpressJet was approximately $23 million, $205 million and $360 million in 2009, 2008 and 2007, respectively, including $22 million, $76 million and $79 million, respectively, related to regional jets operated by ExpressJet outside of the capacity purchase provisions of the ExpressJet CPA, which is reported as other revenue. Our aircraft rental income on aircraft flown for us through June 30, 2008 is reported as a reduction to regional capacity purchase, net.

Capacity Purchase Agreement with Chautauqua

Chautauqua operates 50-seat regional jets as a Continental Express carrier under a capacity purchase agreement (the "Chautauqua CPA"). As of December 31, 2009, 22 aircraft were being flown by Chautauqua for us. The Chautauqua CPA requires us to pay Chautauqua a fixed fee, subject to annual inflation adjustments (capped at 3.5%), for each block hour flown for its operation of the aircraft. Chautauqua supplies the aircraft that it operates under the agreement. Aircraft are scheduled to be removed from service under the Chautauqua CPA each year through 2012, provided that we have the unilateral right to extend the Chautauqua CPA on the same terms on an aircraft-by-aircraft basis for a period of up to five years in the aggregate for 20 aircraft and for up to three years in the aggregate for seven aircraft, subject to the renewal terms of the related aircraft lease. Chautauqua also subleases five Embraer 37-seat aircraft from us that are not operated on our behalf.

Capacity Purchase Agreement with Colgan

Colgan operates fourteen 74-seat Bombardier Q400 twin-turboprop aircraft as a Continental Connection carrier on short and medium-distance routes from New York Liberty on our behalf. Colgan operates the flights under a capacity purchase agreement with us. In January 2009, we amended the capacity purchase agreement to increase by 15 the number of Q400 aircraft to be operated by Colgan on our behalf. We expect that Colgan will begin operating these 15 additional aircraft as they are delivered, beginning in the third quarter of 2010 through the second quarter of 2011. Each aircraft is scheduled to be covered by the agreement for ten years following the date such aircraft is delivered into service thereunder. Colgan supplies all of the aircraft that it operates under the agreement.

Capacity Purchase Agreement with CommutAir

Our capacity purchase agreement with CommutAir (the "CommutAir CPA"), provides for CommutAir to operate sixteen 37-seat Bombardier Q200 twin-turboprop aircraft as a Continental Connection carrier on short distance routes from Cleveland Hopkins and New York Liberty. CommutAir supplies all of the aircraft that it operates under the agreement.

Indemnification Under Capacity Purchase Agreements

Under each of these capacity purchase agreements, our regional operator is generally required to indemnify us for any claims arising in connection with its operation of the aircraft under the agreement and to maintain separate insurance to cover its indemnification obligation.

Commitments under Capacity Purchase Agreements

Our future commitments under our capacity purchase agreements are dependent on numerous variables, and are therefore difficult to predict. The most important of these variables is the number of scheduled block hours. Although we are not required to purchase a minimum number of block hours under certain of our capacity purchase agreements, we have set forth below estimates of our future payments under the agreement based on our stated assumptions. These estimates of our future payments under all of the capacity purchase agreements do not include the portion of the underlying obligation for any aircraft leased to ExpressJet or deemed to be leased from Chautauqua, CommutAir or Colgan and facility rent that are disclosed as part of aircraft and nonaircraft operating leases. For purposes of calculating these estimates, we have assumed (1) the number of block hours flown is based on our anticipated level of flight activity or at any contractual minimum utilization levels if applicable, (2) that we will reduce the fleet as rapidly as contractually allowed under each agreement, (3) that aircraft utilization, stage length and load factors will remain constant, (4) that each carrier's operational performance will remain at historic levels, and (5) that inflation is projected to be between 0.3% and 2.4% per year. Based on these assumptions, our future payments through the end of the terms of our capacity purchase agreements at December 31, 2009 were estimated as follows (in millions):

Year ending December 31,	
2010	$ 693
2011	693
2012	704
2013	683
2014	649
Later years	884
Total	$4,306

It is important to note that the actual amounts we pay to our regional operators under capacity purchase agreements could differ materially from these estimates. For example, a 10% increase or decrease in scheduled block hours for all of our regional operators (whether as a result of changes in average daily utilization or otherwise) in 2010 would result in a corresponding increase or decrease in cash obligations under the capacity purchase agreements of approximately 9.2%, or $64 million.

NOTE 17 - RELATED PARTY TRANSACTIONS

Prior to April 2008, Northwest Airlines, Inc. held the sole share of our Series B preferred stock. Until October 2009, we had a global alliance with Northwest involving extensive codesharing, frequent flyer reciprocity and other cooperative activities. The other cooperative activities are considered normal to the daily operations of both airlines. As a result of these other cooperative activities, we paid Northwest $9 million and $28 million in 2008 and 2007, respectively, and Northwest paid us $9 million and $13 million in 2008 and 2007, respectively. The payments to and from Northwest were in the ordinary course of business were based on prevailing market rates. These payments do not include interline billings, which are common among airlines for transportation-related services.

NOTE 18 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. The mainline segment consists of flights using larger jets while the regional segment currently consists of flights with a capacity of 79 or fewer seats. As of December 31, 2009, the regional segment was operated by ExpressJet, Chautauqua, CommutAir and Colgan through capacity purchase agreements. See Note 16 for further discussion of the capacity purchase agreements.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing) and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information for the year ended December 31 by business segment is set forth below (in millions):

	2009	2008	2007
Operating Revenue:			
Mainline	$10,635	$12,827	$12,019
Regional	1,951	2,414	2,213
Total Consolidated	$12,586	$15,241	$14,232
Depreciation and amortization expense:			
Mainline	$ 481	$ 427	$ 400
Regional	13	11	13
Total Consolidated	$ 494	$ 438	$ 413
Special Charges (Note 13):			
Mainline	$ 125	$ 155	$ 13
Regional	20	26	—
Total Consolidated	$ 145	$ 181	$ 13
Operating Income (Loss):			
Mainline	$ 164	$ 74	$ 848
Regional	(310)	(388)	(161)
Total Consolidated	$ (146)	$ (314)	$ 687
Interest Expense:			
Mainline	$ 355	$ 363	$ 379
Regional	12	13	14
Total Consolidated	$ 367	$ 376	$ 393
Interest Income:			
Mainline	$ 12	$ 65	$ 160
Regional	—	—	—
Total Consolidated	$ 12	$ 65	$ 160
Income Tax Benefit (Expense):			
Mainline	$ 42	$ 51	$ (150)
Regional	115	58	33
Total Consolidated	$ 157	$ 109	$ (117)
Net Income (Loss):			
Mainline	$ (76)	$ (243)	$ 581
Regional	(206)	(343)	(142)
Total Consolidated	$ (282)	$ (586)	$ 439

The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by regional carriers and expenses include all activity related to the regional operations, regardless of whether the costs were paid directly by us or to the regional carriers.

Information concerning operating revenue by principal geographic area for the year ended December 31 is as follows (in millions):

	2009	2008	2007
Domestic	$ 6,941	$ 8,327	$ 8,053
Trans-Atlantic	2,614	3,448	3,065
Latin America	1,947	2,283	1,981
Pacific	1,084	1,183	1,133
	$12,586	$15,241	$14,232

We attribute revenue among the geographical areas based upon the origin and destination of each flight segment. Our tangible assets and capital expenditures consist primarily of flight and related ground support equipment, which is mobile across geographic markets and, therefore, has not been allocated.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments. As of December 31, 2009 we had firm commitments to purchase 84 new aircraft (55 Boeing 737 aircraft, four Boeing 777 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $5.1 billion including related spare engines. We are currently scheduled to take delivery of two Boeing 777 aircraft and 12 Boeing 737 aircraft in 2010. In addition to our firm order aircraft, we had options to purchase a total of 98 additional Boeing aircraft as of December 31, 2009.

As discussed in Note 4, we have obtained financing for the two Boeing 777 aircraft and nine of the Boeing 737 aircraft to be delivered in 2010. We have backstop financing available for the three other Boeing 737 aircraft scheduled for delivery in 2010, subject to customary closing conditions. However, we do not have backstop financing or any other financing currently in place for the balance of the Boeing aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that backstop financing or any other financing not already in place for our aircraft deliveries will be available to us when needed on acceptable terms or at all. Since the commitments for firm order aircraft are non-cancelable, and assuming no breach of the agreement by Boeing, if we are unable to obtain financing and cannot otherwise satisfy our commitment to purchase these aircraft, the manufacturer could exercise its rights and remedies under applicable law, such as seeking to terminate the contract for a material breach, selling the aircraft to one or more other parties and suing us for damages to recover any resulting losses incurred by the manufacturer.

Financings and Guarantees. We are the guarantor of approximately $1.7 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately $1.5 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately $190 million of these obligations are accounted for as capital leases.

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of $109 million at December 31, 2009 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also had letters of credit and performance bonds relating to various real estate, customs and aircraft financing obligations at December 31, 2009 in the amount of $109 million. These letters of credit and performance bonds have expiration dates through September 2013.

General Guarantees and Indemnifications. We are the lessee under many real estate leases. It is common in such commercial lease transactions for us as the lessee to agree to indemnify the lessor and other related third parties for tort liabilities that arise out of or relate to our use or occupancy of the leased premises and the use or occupancy of the leased premises by regional carriers operating flights on our behalf. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, we typically indemnify such parties for any environmental liability that arises out of or relates to our use of the leased premises.

In our aircraft financing agreements, we typically indemnify the financing parties, trustees acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or willful misconduct.

We expect that we would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to real estate we lease and aircraft we operate.

In our financing transactions that include loans, we typically agree to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on the London Interbank Offered Rate ("LIBOR"), for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At December 31, 2009, we had $1.5 billion of floating rate debt and $229 million of fixed rate debt, with remaining terms of up to ten years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to ten years and an aggregate carrying value of $1.5 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

We may be required to make future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements, laws governing LIBOR based loans or tax laws, the amounts of which cannot be estimated at this time.

Credit Card Processing Agreements. The covenants contained in our domestic bank-issued credit card processing agreement with Chase require that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC-from Moody's and Standard & Poor's, respectively.

Under the terms of our credit card processing agreement with American Express, if a covenant trigger under the Chase processing agreement requires us to post additional collateral under that agreement, we would be required to post additional collateral under the American Express processing agreement. The amount of additional collateral required under the American Express processing agreement would be based on a percentage of the value of unused tickets (for travel at a future date) purchased by customers using the American Express card. The percentage for purposes of this calculation is the same as the percentage applied under the Chase processing agreement, after taking into account certain other risk protection maintained by American Express.

Under these processing agreements and based on our current air traffic liability exposure (as defined in each agreement), we would be required to post collateral up to the following amounts if we failed to comply with the covenants described above:

- a total of $65 million if our unrestricted cash, cash equivalents and short-term investments balance falls below $2.0 billion;
- a total of $203 million if we fail to maintain the minimum unsecured debt ratings specified above;
- a total of $387 million if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.4 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.25 to 1.0; and
- a total of $846 million if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.0 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.22 to 1.0.

The amounts shown above are incremental to the current collateral we have posted with these companies. We are currently in compliance with all of the covenants under these processing agreements.

Credit Ratings. At December 31, 2009, our senior unsecured debt was rated B3 by Moody's and CCC+ by Standard & Poor's. These ratings are significantly below investment grade. Our current credit ratings increase the costs we incur when issuing debt, adversely affect the terms of such debt and limit our financing options. Additional reductions in our credit ratings could further increase our borrowing costs and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, as discussed above, we would have to post additional collateral of approximately $203 million under our Chase and American Express processing agreements if our senior unsecured debt rating were to fall below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. The insurer under our workers' compensation program has the right to require us to post up to $32 million of additional collateral under a number of conditions, including based on our current senior unsecured debt rating, which is currently at the minimum of B3 as rated by Moody's and below the minimum of B- as rated by Standard & Poor's. We could also be required to post a higher amount of collateral with our fuel hedge counterparties if our credit ratings were to fall, or if our unrestricted cash, cash equivalents and short-term investments balance fell below certain specified levels, and our fuel hedges were in a liability position. In such a case, the total amount of the collateral that we might be required to post at any time would be up to the amount of our liability under the related derivative instruments to our respective counterparties. Our fuel hedging agreement with one counterparty also requires us to post additional collateral of up to 10% of the notional amount of our hedging contracts with that counterparty if our senior unsecured debt rating by Moody's or Standard & Poor's is below B3 or B-, respectively. Our fuel derivative contracts do not contain any other credit risk-related contingent features, other than those related to a change in control.

Employees. As of December 31, 2009, we had approximately 41,300 employees, which, due to the number of part-time employees, represents 39,640 full-time equivalent employees. Approximately 45% of our full-time equivalent employees are represented by unions.

Approximately 97% of our full-time equivalent employees represented by unions as of December 31, 2009 are covered by collective bargaining agreements that are currently amendable or become amendable in 2010. In addition, on February 12, 2010, the National Mediation Board informed us that our fleet service employees had voted in favor of representation by the International Brotherhood of Teamsters. The election covers approximately 7,600 employees, or 6,340 full-time equivalent ramp, operations and cargo agents. The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008 and those with our flight attendants and CMI mechanics became amendable in December 2009. On July 6, 2009, our flight simulator technicians ratified a new four-year collective bargaining agreement with us. With respect to our workgroups with amendable contracts, we have been meeting with representatives of the applicable unions to negotiate amended collective bargaining agreements with a goal of reaching agreements that are fair to us and to our employees, but to date the parties have not reached new agreements. We cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us. Furthermore, there can be no assurance that our generally good labor relations and high labor productivity will continue.

Environmental Matters. In 2001, the California Regional Water Quality Control Board ("CRWQCB") mandated a field study of the area surrounding our aircraft maintenance hangar in Los Angeles. The study was completed in September 2001 and identified jet fuel and solvent contamination on and adjacent to this site. In April 2005, we began environmental remediation of jet fuel contamination surrounding our aircraft maintenance hangar pursuant to a workplan submitted to (and approved by) the CRWQCB and our landlord, the Los Angeles World Airports. Additionally, we could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site.

At December 31, 2009, we had an accrual for estimated costs of environmental remediation throughout our system of $30 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We did not have any receivables related to environmental insurance recoveries at December 31, 2009. Based on currently available information, we believe that our accrual for potential environmental remediation costs is adequate, although our accrual could be adjusted in the future due to new information or changed circumstances. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents and seek unspecified money damages and certain injunctive relief under the Clayton Act and the Sherman Anti-Trust Act. The pending cases, which currently involve a total of 90 travel agency plaintiffs, are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On October 29, 2007, the judge for the consolidated lawsuit dismissed the case for failure to meet the heightened pleading standards established earlier in 2007 by the U.S. Supreme Court's decision in Bell Atlantic Corp. v. Twombly. On October 2, 2009, the U.S. Court of Appeals for the Sixth Circuit affirmed the trial court's dismissal of the case. On December 18, 2009, the plaintiffs' request for rehearing by the Sixth Circuit *en banc* was denied. The plaintiffs now have the opportunity to appeal to the U.S. Supreme Court. The plaintiffs in the Swope lawsuit, encompassing 43 travel agencies, have also alleged that certain claims raised in their lawsuit were not, in fact, dismissed. The trial court has not yet ruled on that issue. In the consolidated lawsuit, we believe the plaintiffs' claims are without merit, and we intend to defend vigorously any appeal. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

NOTE 20 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 2009 and 2008 is as follows (in millions, except per share data):

	Three Months Ended			
	March 31	June 30	September 30	December 31
2009				
Operating revenue	$ 2,962	$3,126	$ 3,317	$ 3,182
Operating income (loss)	(55)	(154)	61	1
Nonoperating income (expense), net	(81)	(59)	(79)	(73)
Net income (loss)	(136)	(213)	(18)	85
Earnings (loss) per share:				
Basic	$ (1.10)	$ (1.72)	$ (0.14)	$ 0.61
Diluted	$ (1.10)	$ (1.72)	$ (0.14)	$ 0.60
2008				
Operating revenue	$ 3,570	$4,044	$ 4,156	$ 3,471
Operating loss	(66)	(71)	(152)	(25)
Nonoperating income (expense), net	(61)	22	(98)	(242)
Net loss	(82)	(5)	(230)	(269)
Loss per share:				
Basic	$ (0.82)	$ (0.05)	$ (2.09)	$ (2.35)
Diluted	$ (0.82)	$ (0.05)	$ (2.09)	$ (2.35)

The quarterly income (loss) amounts were impacted by the following special income (expense) items:

	Three Months Ended			
	March 31	June 30	September 30	December 31
2009				
Operating earnings:				
Aircraft-related charges	$ (4)	$ (43)	$ (6)	$ (36)
Pension settlement charges	—	—	—	(29)
Severance	—	—	(5)	—
Route impairment	—	—	—	(12)
Other	—	(1)	(9)	—
Total special charges in operating earnings	$ (4)	$ (44)	$ (20)	$ (77)
Additional special items:				
Income tax benefit related to intraperiod tax allocation	$ —	$ —	$ —	$ 158
2008				
Operating earnings:				
Aircraft-related charges	$ 8	$ (41)	$ (12)	$ 5
Pension settlement charges	—	—	(8)	(44)
Severance	—	—	(33)	(1)
Route impairment	—	—	(18)	—
Other	—	(17)	(20)	—
Total special charges in operating earnings	$ 8	$ (58)	$ (91)	$ (40)
Additional special items:				
Gains on sales of investments	$ —	$ 78	$ —	$ —
Loss on fuel hedge contracts with Lehman Brothers	—	—	—	(125)
Other-than-temporary impairment of auction rate securities	—	(29)	—	(31)
Fair value of auction rate securities put right received	—	—	—	26
Income tax benefit related to NOL utilization	—	28	—	—

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Continental Airlines, Inc.

We have audited the accompanying consolidated balance sheets of Continental Airlines, Inc. (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2010 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 17, 2010

Exhibit 99.4

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating Revenue:				
Passenger:				
Mainline	$ 2,713	$ 2,300	$ 5,034	$ 4,498
Regional	598	467	1,080	886
Total Passenger Revenue	3,311	2,767	6,114	5,384
Cargo	111	82	213	167
Other	286	277	550	536
Total Operating Revenue	3,708	3,126	6,877	6,087
Operating Expenses:				
Aircraft fuel and related taxes	968	891	1,822	1,626
Wages, salaries and related costs	822	799	1,618	1,564
Aircraft rentals	230	235	459	472
Landing fees and other rentals	215	216	428	425
Regional capacity purchase	211	217	413	431
Distribution costs	190	150	361	307
Maintenance, materials and repairs	136	161	283	314
Depreciation and amortization	122	118	256	229
Passenger services	100	96	193	183
Special charges	6	44	16	48
Merger-related costs	18	—	18	—
Other	362	353	732	696
Total Operating Expenses	3,380	3,280	6,599	6,295
Operating Income (Loss)	328	(154)	278	(208)
Nonoperating Income (Expense):				
Interest expense	(92)	(90)	(187)	(183)
Interest capitalized	6	8	13	17
Interest income	2	4	4	8
Other, net	(11)	19	(20)	17
Total Nonoperating Income (Expense)	(95)	(59)	(190)	(141)
Income (Loss) before Income Taxes	233	(213)	88	(349)
Income Taxes	—	—	(1)	—
Net Income (Loss)	$ 233	$ (213)	$ 87	$ (349)
Earnings (Loss) per Share:				
Basic	$ 1.67	$ (1.72)	$ 0.62	$ (2.82)
Diluted	$ 1.46	$ (1.72)	$ 0.60	$ (2.82)
Shares Used for Computation:				
Basic	140	124	139	124
Diluted	167	124	153	124

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2009 (Unaudited)
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 3,047	$ 2,546	$ 2,521
Short-term investments	457	310	247
Total unrestricted cash, cash equivalents and short-term investments	3,504	2,856	2,768
Restricted cash and cash equivalents	167	164	167
Accounts receivable, net	610	494	488
Spare parts and supplies, net	275	254	242
Deferred income taxes	221	203	172
Prepayments and other	437	402	494
Total current assets	5,214	4,373	4,331
Property and Equipment:			
Owned property and equipment:			
Flight equipment	8,796	8,769	8,614
Other	1,827	1,787	1,740
Flight equipment and other	10,623	10,556	10,354
Less: Accumulated depreciation	3,708	3,509	3,388
Owned property and equipment, net	6,915	7,047	6,966
Purchase deposits for flight equipment	335	242	257
Capital leases	195	194	194
Less: Accumulated amortization	68	63	58
Capital leases, net	127	131	136
Total property and equipment, net	7,377	7,420	7,359
Routes and airport operating rights, net	780	778	797
Other assets	228	210	175
Total Assets	$ 13,599	$ 12,781	$ 12,662

(continued on next page)

CONTINENTAL AIRLINES, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for share data)

	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2009 (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Current maturities of long-term debt and capital leases	$ 1,142	$ 975	$ 980
Accounts payable	988	924	1,062
Air traffic and frequent flyer liability	2,607	1,855	2,128
Accrued payroll	391	367	379
Accrued other liabilities	304	268	307
Total current liabilities	5,432	4,389	4,856
Long-Term Debt and Capital Leases	4,912	5,291	4,963
Deferred Income Taxes	221	203	172
Accrued Pension Liability	1,232	1,248	1,375
Accrued Retiree Medical Benefits	223	216	239
Other Non-Current Liabilities	855	844	821
Stockholders' Equity:			
Class B common stock - $.01 par, 400,000,000 shares authorized; 140,126,934, 138,537,127 and 123,657,537 issued and outstanding	1	1	1
Additional paid-in capital	2,240	2,216	2,047
Accumulated deficit	(355)	(442)	(509)
Accumulated other comprehensive loss	(1,162)	(1,185)	(1,303)
Total stockholders' equity	724	590	236
Total Liabilities and Stockholders' Equity	$ 13,599	$ 12,781	$ 12,662

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONTINENTAL AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions) (Unaudited)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash Flows from Operating Activities:		
Net income (loss)	$ 87	$ (349)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	256	229
Special charges	16	48
Stock-based compensation related to equity awards	4	3
Other, net	15	27
Changes in operating assets and liabilities	623	401
Net cash provided by operating activities	1,001	359
Cash Flows from Investing Activities:		
Capital expenditures	(148)	(147)
Aircraft purchase deposits (paid) refunded, net	(84)	17
Proceeds from sales (purchases) of short-term investments, net	(124)	233
Proceeds from sales of property and equipment	25	7
Decrease (increase) in restricted cash and cash equivalents	(3)	23
Other	—	(2)
Net cash (used in) provided by investing activities	(334)	131
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(411)	(169)
Proceeds from issuance of long-term debt, net	225	30
Proceeds from issuance of common stock pursuant to stock plans	20	5
Net cash used in financing activities	(166)	(134)
Net Increase in Cash and Cash Equivalents	501	356
Cash and Cash Equivalents - Beginning of Period	2,546	2,165
Cash and Cash Equivalents - End of Period	$ 3,047	$ 2,521
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	—	197

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature. We recorded $11 million of depreciation expense during the quarter ended March 31, 2010 that relates to prior periods, the impact of which is not material to any individual prior period or our expected annual results for 2010.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2009 (the “2009 Form 10-K”). Due to seasonal fluctuations common to the airline industry, our results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. As used in these Notes to Consolidated Financial Statements, the terms “Continental,” “we,” “us,” “our” and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

NOTE 1 - MERGER WITH UNITED

On May 2, 2010, Continental, UAL Corporation (“UAL”), and JT Merger Sub Inc., a wholly-owned subsidiary of UAL (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”), providing for a business combination of Continental and UAL. The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will be merged with and into Continental, with Continental continuing as the surviving corporation and as a wholly-owned subsidiary of UAL (the “Merger”). Upon completion of the Merger, UAL will be the parent company of both Continental and United Air Lines, Inc. (“United”) and UAL’s name will be changed to United Continental Holdings, Inc.

Under the terms of the Merger Agreement, our stockholders will receive 1.05 shares of UAL common stock for each share of Continental common stock they hold at the effective time of the Merger. The exchange ratio is fixed and will not be adjusted for changes in the market value of the common stock of Continental or UAL. The Merger will be accounted for using the acquisition method of accounting with UAL being considered the acquirer of Continental for accounting purposes. UAL will allocate the purchase price to the fair value of our tangible and intangible assets and liabilities at the acquisition date, with the excess purchase price being recorded as goodwill. Under the acquisition method of accounting, goodwill is not amortized but is tested for impairment at least annually. The new basis for our assets and liabilities will also be reflected in our separate-entity financial statements.

The Merger Agreement contains certain termination rights for both UAL and Continental, including if the Merger is not consummated on or before December 31, 2010 (which is subject to extension under certain circumstances but generally not beyond September 30, 2011) and if the approval of the stockholders of either UAL or Continental is not obtained. The Merger Agreement further provides that, upon termination of the Merger Agreement by UAL or Continental as a result of an adverse change in the recommendation of the other party’s board of directors, UAL may be required to pay to Continental, or Continental may be required to pay to UAL, a termination fee of $175 million.

The consummation of the Merger is subject to receipt of various regulatory clearances, approval by the stockholders of Continental and UAL and the satisfaction or waiver of other conditions as described in the Merger Agreement, and it is possible that factors outside the control of UAL and Continental could result in the Merger being completed at an earlier time, a later time or not at all. As part of its review of the Merger under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR review process"), the Department of Justice ("DOJ") issued Second Requests to Continental and UAL on June 7, 2010. This is a standard part of the HSR review process and was part of our planning from the outset. Continental and UAL are working to comply with the Second Requests and have agreed to provide the DOJ with additional time to complete the HSR review process. As stated previously, Continental and UAL expect the closing of the Merger to occur in the fourth quarter of 2010.

NOTE 2 - ADOPTED AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Variable Interest Entities. In June 2009, the Financial Accounting Standards Board ("FASB") issued guidance to change financial reporting by enterprises involved with variable interest entities ("VIEs"). The standard replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a VIE with an approach focused on identifying which enterprise has the power to direct the activities of a VIE and the obligation to absorb losses of the entity or the right to receive the entity's residual returns. This accounting standard became effective for us on January 1, 2010. The adoption of this pronouncement did not have any effect on our consolidated financial statements.

Revenue Arrangements with Multiple Deliverables. In October 2009, the FASB issued guidance that changes the accounting for revenue arrangements with multiple deliverables. The guidance requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices and eliminates the use of the residual method of allocation. The guidance establishes a hierarchy for determining the selling price of a deliverable, based on vendor-specific objective evidence, third-party evidence or estimated selling price. In addition, this guidance expands required disclosures related to a vendor's multiple-deliverable revenue arrangements. This accounting standard is effective for us on January 1, 2011 and may change our accounting for the sale of frequent flyer mileage credits. We may elect to adopt this guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or retrospective application to all applicable revenue arrangements for all periods presented. We are currently evaluating the requirements of this pronouncement and have not determined the impact, if any, that adoption of this standard will have on our consolidated financial statements.

NOTE 3 - EARNINGS (LOSS) PER SHARE

The following table sets forth the components of basic and diluted earnings (loss) per share (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Numerator for basic earnings (loss) per share - net income (loss)	$ 233	$ (213)	$ 87	$ (349)
Effect of dilutive securities - interest expense on:				
5% convertible notes	4	—	—	—
6% convertible junior subordinated debentures held by subsidiary trust	3	—	—	—
4.5% convertible notes	3	—	5	—
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions	$ 243	$ (213)	$ 92	$ (349)
Denominator:				
Denominator for basic earnings (loss) per share - weighted average shares	140	124	139	124
Effect of dilutive securities:				
5% convertible notes	9	—	—	—
6% convertible junior subordinated debentures held by subsidiary trust	4	—	—	—
4.5% convertible notes	12	—	12	—
Employee stock options	2	—	2	—
Dilutive potential shares	27	—	14	—
Denominator for diluted earnings (loss) per share - weighted average shares after assumed conversions	167	124	153	124

The adjustments to net income (loss) to determine the numerator for diluted earnings (loss) per share are net of the related effect of applicable income taxes and profit sharing.

Approximately 13 million potential shares of our common stock related to convertible debt securities were excluded from the computation of diluted earnings (loss) per share in the three months ended June 30, 2009 and the six months ended June 30, 2010 and 2009 because they were antidilutive. In addition, approximately one million weighted average options to purchase shares of our common stock for the three and six months ended June 30, 2010 and approximately eight million weighted average options for the three and six months ended June 30, 2009 were excluded from the computation of diluted earnings per share because the effect of including the options would have been antidilutive.

NOTE 4 - FLEET INFORMATION

As of June 30, 2010, our operating fleet consisted of 337 mainline jets and 251 regional aircraft. The 337 mainline jets are operated exclusively by us, while the 251 regional aircraft are operated on our behalf by other operators under capacity purchase agreements.

We own or lease 274 regional jets. Of these, 206 are leased or subleased to ExpressJet Airlines, Inc. ("ExpressJet") and operated on our behalf under a capacity purchase agreement with ExpressJet, 43 are subleased to ExpressJet and other operators but are not operated on our behalf and 25 are temporarily grounded. Additionally, our regional operating fleet includes 45 regional jet and turboprop aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of June 30, 2010:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft
Mainline (a):				
777-200ER	20	8	12	—
767-400ER	16	14	2	—
767-200ER	10	9	1	—
757-300	21	9	12	—
757-200	41	15	26	—
737-900ER	30	30	—	—
737-900	12	8	4	—
737-800	117	44	73	—
737-700	36	12	24	—
737-500	34	—	34	—
Total mainline	337	149	188	—
Regional (b):				
ERJ-145XR	89	—	89	—
ERJ-145	132	18	99	15 (c)
Q400	14	—	—	14 (d)
Q200	16	—	—	16 (e)
Total regional	251	18	188	45
Total	588	167	376	45

(a) Excludes five grounded Boeing 737-500 aircraft (two owned and three leased) and five grounded owned Boeing 737-300 aircraft.

(b) Excludes 25 ERJ-135 aircraft that are temporarily grounded and 15 ERJ-145XR aircraft, 23 ERJ-145 aircraft and five ERJ-135 aircraft that are subleased to other operators, but are not operated on our behalf.

(c) Operated by Chautauqua Airlines, Inc. ("Chautauqua") under a capacity purchase agreement.

(d) Operated by Colgan Air, Inc. ("Colgan") under a capacity purchase agreement.

(e) Operated by Champlain Enterprises, Inc. ("CommutAir") under a capacity purchase agreement.

Substantially all of the aircraft and engines we own are subject to mortgages.

Mainline Fleet Activity. During the first six months of 2010, we placed into service three leased Boeing 757-300 aircraft and removed three Boeing 737-300 aircraft from service.

Regional Fleet Activity. In December 2009, we agreed with ExpressJet to amend our capacity purchase agreement to permit ExpressJet to fly eight ERJ-145 aircraft for United under a capacity purchase agreement. These eight aircraft had been removed from service on our behalf as of June 30, 2010.

Firm Order and Option Aircraft. As of June 30, 2010, we had firm commitments to purchase 86 new aircraft (58 Boeing 737 aircraft, three Boeing 777 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $5.1 billion including related spare engines. In addition to our firm order aircraft, we had options to purchase a total of 98 additional Boeing aircraft as of June 30, 2010.

We are currently scheduled to take delivery of two Boeing 777 aircraft and 12 Boeing 737 aircraft through the end of 2010. Due to issues arising out of the governmental certification process used by the manufacturer of the coach seats on the Boeing 777 aircraft and the coach and first class seats on the Boeing 737 aircraft scheduled for delivery this year, we have incurred delays for most of the aircraft scheduled for delivery in 2010. We expect to take delivery of the two Boeing 777 aircraft and nine Boeing 737 aircraft by the end of August 2010. While this seat manufacturer also provided the seats installed on most of the Boeing aircraft currently in our fleet, we do not believe these issues will have a material impact on our ability to continue to operate any of the aircraft in our fleet based on information currently available to us.

NOTE 5 - LONG-TERM DEBT

Maturities. Maturities of long-term debt due before December 31, 2010 and for the next four years are as follows (in millions):

July 1, 2010 through December 31, 2010	$ 401
Year ending December 31,	
2011	1,151
2012	595
2013	821
2014	345

Convertible Debt Securities. Our 5% Convertible Notes with a principal amount of $175 million are convertible into 50 shares of common stock per $1,000 principal amount at a conversion price of $20 per share. If a holder of the notes exercises the conversion right, in lieu of delivering shares of our common stock, we may elect to pay cash or a combination of cash and shares of our common stock for the notes surrendered. All or a portion of the notes are also redeemable at any time for cash at our option at par plus accrued and unpaid interest, if any. Holders of the notes may require us to repurchase all or a portion of their notes at par plus any accrued and unpaid interest on June 15 of 2013 or 2018. We may at our option choose to pay the repurchase price on those dates in cash, shares of our common stock or any combination thereof. However, if we are required to repurchase all or a portion of the notes, our policy is to settle the notes in cash. The holders of the notes also had the right to require us to repurchase their notes on June 15, 2010; however, none did so. Accordingly, we have classified these notes as long-term debt and capital leases at June 30, 2010. The maturity table above reflects the principal amount of the notes as due in 2013.

Holders of the notes may also require us to repurchase all or a portion of their notes for cash at par plus any accrued and unpaid interest if certain changes in control of Continental occur. The Merger will not result in the holders of the notes having any additional rights to require us to repurchase their notes, nor will it trigger any repayment obligation on any of our other outstanding debt.

NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting rules for fair value clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value it a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. FASB Accounting Standards Codification ("ASC") Topic 820 requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and the excess earnings method

(C) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost)

Assets (liabilities measured at fair value on a recurring basis include (in millions):

	Carrying Amount	Level 1	Level 2	Level 3	Valuation Technique
June 30, 2010					
Cash and cash equivalents	$ 3,047	$3,047	$ —	$ —	(A)
Short-term investments:					
Auction rate securities	117	—	—	117	(B)
CDARS	21	21	—	—	(A)
Asset-backed securities	121	121	—	—	(A)
Fixed income mutual fund	107	—	107	—	(A)
Corporate debt	42	42	—	—	(A)
U.S. government and agency notes	33	33	—	—	(A)
Notes guaranteed by foreign governments	16	16	—	—	(A)
Restricted cash and cash equivalents	167	167	—	—	(A)
Fuel derivatives:					
Swaps	(6)	—	—	(6)	(A)
Call options	6	—	—	6	(A)
Collars	(3)	—	—	(3)	(A)
December 31, 2009					
Cash and cash equivalents	$ 2,546	$2,546	$ —	$ —	(A)
Short-term investments:					
Auction rate securities	201	—	—	201	(B)
CDARS	102	102	—	—	(A)
Asset-backed securities	7	7	—	—	(A)
Restricted cash and cash equivalents	164	164	—	—	(A)
Auction rate securities put right	20	—	—	20	(B)
Fuel derivatives:					
Swaps	6	—	—	6	(A)
Call options	8	—	—	8	(A)
Foreign currency forward contracts	5	—	5	—	(A)
June 30, 2009					
Cash and cash equivalents	$ 2,521	2,521	$ —	$ —	(A)
Short-term investments:					
Auction rate securities	230	—	—	230	(B)
CDARS	14	14	—	—	(A)
Asset-backed securities	3	3	—	—	(A)
Restricted cash and cash equivalents	167	167	—	—	(A)
Auction rate securities put right	27	—	—	27	(B)
Fuel derivatives:					
Swaps	16	—	—	16	(A)
Collars	(33)	—	—	(33)	(A)
Foreign currency forward contracts	1	—	1	—	(A)

The determination of fair value of each of these items is discussed below:

Cash and Cash Equivalents and Restricted Cash. Cash and cash equivalents and restricted cash consist primarily of U.S. Government and Agency money market funds and other AAA-rated money market funds with original maturities of three months or less. The original cost of these assets approximates fair value due to their short-term maturity.

Short-Term Investments Other than Auction Rate Securities. The fair values of short-term investments other than auction rate securities are based on observable market data. “CDARS” are certificates of deposit placed through an account registry service. Asset-backed securities mature through 2012. The fixed income mutual fund invests primarily in money market instruments and investment grade fixed income securities and is valued at the net asset value of shares held by us. The underlying investments have a weighted average contractual maturity of less than 90 days. Corporate debt securities, government and agency notes and notes guaranteed by foreign governments have a weighted average maturity of less than two years.

Student Loan-Related Auction Rate Securities. At June 30, 2010, we held student loan-related auction rate securities with a fair value of $117 million, a par value of $145 million and amortized cost of $117 million. These securities, which we classify as available-for-sale, are variable-rate debt instruments with contractual maturities generally greater than ten years who interest rates are reset every seven, 28 or 35 days, depending on the terms of the particular instrument. These securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the U.S. government. All of the auction rate securities we hold are senior obligations under the applicable indentures authorizing the issuance of the securities. We estimated the fair value of these securities taking into consideration the limited sales and offers to purchase such securities and using internally-developed models of the expected future cash flows related to the securities. Our models incorporated our probability-weighted assumptions about the cash flows of the underlying student loans and discounts to reflect a lack of liquidity in the market for these securities.

During the first six months of 2010, we sold, at par, auction rate securities having a par value of $106 million. Certain of these auction rate securities were subject to a put right granted to us by an institution permitting us to sell to the institution at their full par value certain auction rate securities by June 30, 2010. We recognized gains on the sales using the specific identification method. The gains were substantially offset by the cancellation of any related put rights. The net gains are included in other non-operating income (expense) in our consolidated statement of operations and were not material.

We continue to monitor the market for auction rate securities and consider its impact, if any, on the fair value of our investments. If currently market conditions deteriorate further, we may be required to record additional losses on these securities.

Fuel Derivatives. We determine the fair value of our fuel derivatives by obtaining inputs from a broker’s pricing model that is based on inputs that are either readily available in public markets or can be derived from information available in publicly quoted markets. We verify the reasonableness of these inputs by comparing the resulting fair values to similar quotes from our counterparties as of each date for which financial statements are prepared. For derivatives not covered by collateral, we also make an adjustment to incorporate credit risk into the valuation. Due to the fact that certain of the inputs utilized to determine the fair value of the fuel derivatives are unobservable (principally volatility of crude oil prices and the credit risk adjustments), we have categorized these option contracts as Level 3.

Foreign Currency-Forward Contracts. We determine the fair value of our foreign currency derivatives by comparing our contract rate to a published forward price of the underlying currency, which is based on market rates for comparable transactions.

Unobservable Inputs. The reconciliation of our assets (liabilities) measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows (in millions):

	Auction Rate Securities	Put Right	Fuel Derivatives Swap	Fuel Derivatives Call Options	Fuel Derivatives Collars
Three Months Ended June 30, 2010					
Balance at beginning of period	$ 164	$ 16	$ 24	$ 14	$ —
Purchases, sales, issuances and settlements (net)	(64)	—	5	5	2
Gains and losses:					
Reported in earnings:					
Realized	17	(16)	—	—	—
Unrealized	—	—	—	(1)	(1)
Reported in other comprehensive income (loss)	—	—	(35)	(13)	(3)
Balance as of June 30, 2010	$ 117	$ —	$ (6)	$ 5	$ (2)
Three Months Ended June 30, 2009					
Balance at beginning of period	$ 229	$ 26	$ 2	$ —	$ (254)
Purchases, sales, issuances and settlements (net)	(1)	—	—	—	177
Gains and losses:					
Reported in earnings:					
Unrealized	—	1	8	—	—
Reported in other comprehensive income (loss)	2	—	6	—	44
Balance as of June 30, 2009	$ 230	$ 27	$ 16	$ —	$ (33)

	Auction Rate Securities	Put Right	Fuel Derivatives Swap	Call Options	Collars
Six Months Ended June 30, 2010					
Balance at beginning of period	$ 201	$ 20	$ 6	$ 8	$ —
Purchases, sales, issuances and settlements (net)	(106)	—	1	17	2
Gains and losses:					
Reported in earnings:					
Realized	23	(21)	—	—	—
Unrealized	—	1	—	(1)	(1)
Reported in other comprehensive income (loss)	(1)	—	(13)	(19)	(3)
Balance as of June 30, 2010	$ 117	$ —	$ (6)	$ 5	$ (2)
Six Months Ended June 30, 2009					
Balance at beginning of period	$ 229	$ 26	$ 2	$ 1	$ (418)
Purchases, sales, issuances and settlements (net)	(1)	—	5	(1)	366
Gains and losses:					
Reported in earnings:					
Unrealized	—	1	8	—	(2)
Reported in other comprehensive income (loss)	2	—	1	—	21
Balance as of June 30, 2009	$ 230	$ 27	$ 16	$ —	$ (33)

Other Financial Instruments. Other financial instruments that are not subject to the disclosure requirements of ASC Topic 820 are as follows:

- Debt. The fair value of our debt was approximately as follows (in billions):

	Carrying Amount	Fair Value
June 30, 2010	$ 5.9	$ 5.8
December 31, 2009	6.1	5.8
June 30, 2009	5.7	4.8

These estimates were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.

- Accounts Receivable and Accounts Payable. The fair values of accounts receivable and accounts payable approximated carrying value due to their short-term maturity.

NOTE 7 - HEDGING ACTIVITIES

As part of our risk management program, we use a variety of derivative financial instruments to help manage our risks associated with changes in fuel prices and foreign currency exchange rates. We do not hold or issue derivative financial instruments for trading purposes.

We are exposed to credit losses in the event of non-performance by issuers of derivative financial instruments. To manage credit risks, we select issuers based on credit ratings, limit our exposure to any one issuer under our defined guidelines and monitor the market position with each counterparty.

Fuel Price Risk Management. We routinely hedge a portion of our future fuel requirements, provided the hedges are expected to be cost effective. We have historically entered into swap agreements, purchased call options or structured costless collar arrangements to protect us against sudden and significant increases in jet fuel prices. We typically conduct our fuel hedging activities using a combination of crude oil, jet fuel and heating oil contracts. We strive to maintain fuel hedging levels and exposure generally comparable to that of our major competitors, so that our fuel cost is not disproportionate to theirs.

As of June 30, 2010, our projected consolidated fuel requirements for the remainder of 2010 and the first quarter of 2011 were hedged as follows:

	Maximum Price		Minimum Price	
	% of Expected Consumption	Weighted Average price (per gallon)	% of Expected Consumption	Weighted Average price (per gallon)
Remainder of 2010				
WTI crude oil swaps	19%	$ 1.87	19%	$ 1.87
Jet fuel swaps	2	2.26	2	2.26
WTI crude oil call options	22	2.25	N/A	N/A
WTI crude oil collars	3	2.38	3	1.73
Total	46%		24%	
First Quarter of 2011				
WTI crude oil swaps	5%	$ 1.76	5%	$ 1.76
WTI crude oil call options	6	2.31	N/A	N/A
WTI crude oil collars	3	2.38	3	1.67
Total	14%		8%	

We account for our fuel derivatives as cash flow hedges and record them at fair value in our consolidated balance sheet with the change in fair value, to the extent effective, being recorded to accumulated other comprehensive income (loss) ("accumulated OCI"), net of applicable income taxes. Fuel hedge gains (losses) are recognized as a component of fuel expense when the underlying fuel hedged is used. The ineffective portion of our fuel hedges is determined based on the correlation between jet fuel and crude oil or heating oil prices and is included in nonoperating income (expense) in our consolidated statement of operations.

When our fuel hedges are in a liability position, we may be required to post cash collateral with our counterparties. We were not required to post any such collateral at June 30, 2010 or December 31, 2009. At June 30, 2009, we had posted cash collateral with our counterparties totaling $32 million and granted a lien in favor of a counterparty on one Boeing 777-200 aircraft and one Boeing 757-200 aircraft in lieu of posting an additional $25 million in cash. The cash collateral is reported in prepayments and other current assets in our consolidated balance sheet.

Foreign Currency Exchange Risk Management. We have historically used foreign currency average rate options and forward contracts to hedge against the currency risk associated with our forecasted Japanese yen, British pound, Canadian dollar and euro-denominated cash flows. The average rate options and forward contracts have only nominal intrinsic value at the date contracted. At June 30, 2010, we had forward contracts outstanding to hedge the following cash inflows, primarily from passenger ticket sales, in foreign currencies:

- 21% of our projected Japanese yen-denominated cash inflows through the third quarter of 2011.
- 5% of our projected Canadian dollar-denominated cash inflows through the fourth quarter of 2010.

We account for these instruments as cash flow hedges. They are recorded at fair value in our consolidated balance sheet with the change in fair value, to the extent effective, being recorded to accumulated OCI, net of applicable income taxes. Gains and losses from settlement of these instruments are recognized as passenger revenue. We measure hedge effectiveness of average rate options and forward contracts based on the forward price of the underlying currency. Hedge ineffectiveness, if any, is included in other nonoperating income (expense) in our consolidated statement of operations.

Quantitative Disclosures. All of our derivative instruments were designated as cash flow hedges and were reported in our consolidated balance sheet as follows (in millions):

	Asset Derivatives (1)			Liability Derivatives (2)		
	June 30, 2010	December 31, 2009	June 30, 2009	June 30, 2010	December 31, 2009	June 30, 2009
Fuel derivatives	$ 9	$ 14	$ 16	$ 12	$ —	$ 33
Foreign currency derivatives	—	5	1	—	—	—
Total derivatives	$ 9	$ 19	$ 17	$ 12	$ —	$ 33

(1) Amounts are included in prepayments and other current assets.
(2) Amounts are included in accrued other current liabilities.

The gains (losses) related to the effective portion of our cash flow hedges reported in accumulated OCI in our consolidated balance sheet and in our consolidated statement of operations were as follows (in millions):

	Gain (Loss) Recognized in OCI (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (1)		Gain (Loss) Recognized in Income (Ineffective Portion) (2)	
	2010	2009	2010	2009	2010	2009
Three Months Ended June 30						
Fuel derivatives	$ (53)	$ 58	$ (9)	$ (210)	$ (2)	$ 8
Foreign currency derivatives	(4)	(3)	1	1	—	—
Total	$ (57)	$ 55	$ (8)	$ (209)	$ (2)	$ 8
Six Months Ended June 30						
Fuel derivatives	$ (37)	$ 29	$ (6)	$ (351)	$ (2)	$ 6
Foreign currency derivatives	(4)	9	1	—	—	—
Total	$ (41)	$ 38	$ (5)	$ (351)	$ (2)	$ 6

(1) Amounts related to fuel derivatives are included in aircraft fuel and related taxes and amounts related to foreign currency derivatives are included in passenger revenue.
(2) Amounts are included in other nonoperating income (expense).

NOTE 8 - COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) included the following (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income (loss)	$ 233	$ (213)	$ 87	$ (349)
Other comprehensive income (loss) adjustments, before tax:				
Derivative financial instruments:				
Reclassification into earnings	10	201	7	343
Change in fair value	(57)	55	(41)	38
Unrealized gain on student-loan related auction rate securities	—	2	—	2
Employee benefit plans:				
Amortization of net actuarial losses	21	27	41	54
Amortization of prior service cost	8	7	16	16
Comprehensive income (loss) adjustments, before tax	(18)	292	23	453
Income taxes related to items of other comprehensive income (loss)	—	—	—	—
Total comprehensive income	$ 215	$ 79	$ 110	$ 104

NOTE 9 – STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Profit Based RSU Awards. In February 2010, we issued 1.4 million profit based restricted stock unit (“RSUs”) awards, which can result in cash payments to our officers upon the achievement of specified profit sharing-based performance targets. The performance period for these awards is January 1, 2010 through December 31, 2012. These awards have cumulative profit sharing performance targets ranging from $4 million to $120 million and payment percentages ranging from 25% to 200%. The cash hurdle associated with these awards is $2.2 billion. These awards were issued pursuant to our Incentive Plan 2010, which was approved by our stockholders on June 9, 2010. We currently expect that these awards will achieve a payment percentage of 100%, although the expense related to these awards was not material in the three or six months ended June 30, 2010. As of June 30, 2010, we have recorded no liability associated with any other profit based RSU awards outstanding because we had not achieved, and we did not believe it was probable that we would achieve, any of the cumulative profit-sharing based performance targets for those awards.

Stock-Based Compensation Expense. Total stock-based compensation expense (credit) included in wages, salaries and related costs was $3 million, $0, $9 million and $(24) million for the three months ended June 30, 2010 and 2009 and the six months ended June 30, 2010 and 2009, respectively. As of June 30, 2010, $31 million of compensation cost attributable to future service related to unvested employee stock options and profit based RSU awards had not yet been recognized. This amount will be recognized in expense over a weighted average period of 1.6 years.

Defined Benefit Pension and Retiree Medical Plans. Net periodic defined benefit pension and retiree medical benefits expense included the following components (in millions):

	Defined Benefit Pension				Retiree Medical Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	$ 16	$ 16	$ 33	$ 32	$ 3	$ 3	$ 5	$ 5
Interest cost	40	38	79	77	3	4	7	8
Expected return on plan assets	(28)	(22)	(55)	(44)	—	—	—	—
Amortization of unrecognized net actuarial loss	22	28	44	55	(1)	(1)	(3)	(1)
Amortization of prior service cost	3	2	5	5	5	5	11	11
Net periodic benefit expense	$ 53	$ 62	$106	$125	$ 10	$ 11	$ 20	$ 23

During the first six months of 2010, we contributed $74 million to our tax-qualified defined benefit pension plans and on July 8, 2010 we contributed an additional $38 million to the plans. Our remaining minimum funding requirements during calendar year 2010 are approximately $33 million.

Defined Contribution Plans. Our defined contribution 401(k) employee savings plans cover substantially all employees. Company matching contributions are made in cash. Total expense for all defined contribution plans, including two pilot-only plans, was $24 million, $26 million, $50 million and $50 million for the three months ended June 30, 2010 and 2009 and the six months ended June 30, 2010 and 2009, respectively.

Profit Sharing Plan. Effective January 1, 2010, we adopted a new profit sharing plan with a five year term. Our new profit sharing plan creates an award pool of 15% of annual pre-tax income excluding special items. Generally, the profit sharing pool will be distributed among eligible employees based on an employee’s annual base pay relative to the annual base pay of all employees. We recorded profit sharing expense totaling $18 million in the three and six months ended June 30, 2010.

NOTE 10 – SPECIAL CHARGES AND MERGER-RELATED COSTS

Special charges were as follows (in millions):

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Aircraft-related charges, net	$ —	$ 43	$ 6	$ 47
Severance and other	6	1	10	1
Total special charges	$ 6	$ 44	$ 16	$ 48

The special charges all relate to our mainline segment unless otherwise noted.

In the first six months of 2010, we recorded $6 million of aircraft-related charges related to grounded Boeing 737-300 aircraft, which is net of gains on the sale of two Boeing 737-500 aircraft to a foreign buyer. We also recorded $2 million of severance during the first six months of 2010 related to the elimination of approximately 575 reservation positions.

Severance and other special charges of $6 million in the second quarter of 2010 primarily relate to an adjustment to our reserve for unused facilities due to a reduction in expected sublease income for a maintenance hangar in Denver.

Aircraft-related charges in the second quarter of 2009 include $31 million of non-cash impairments on owned Boeing 737-300 and 737-500 aircraft and related assets, an $8 million non-cash charge related to the disposition of three 737-300 aircraft and a $4 million non-cash charge to write off certain obsolete spare parts. In the first quarter of 2009, we recorded a $4 million charge for future lease and other related costs on a permanently grounded Boeing 737-300 aircraft.

Merger-related costs incurred in the second quarter of 2010 totaling $18 million relate to our pending Merger with a subsidiary of UAL. The costs include financial advisor, legal, accounting and consultant fees and communication costs.

Accrual Activity. Activity related to the accruals for severance and associated continuing medical coverage costs and future lease payments on unused facilities is as follows (in millions):

	Severance/ Medical Costs	Unused Facilities
Balance, December 31, 2009	$ 14	$ 26
Accrual	2	8
Payments	(10)	(2)
Balance, June 30, 2010	$ 6	$ 32

Cash payments related to the accruals for severance and associated continuing medical coverage costs will be made through the third quarter of 2011. Remaining lease payments on unused facilities will be made through 2018.

NOTE 11 - INCOME TAXES

Our effective tax rates differ from the federal statutory rate of 35% primarily due to the following: changes in the valuation allowance, expenses that are not deductible for federal income tax purposes and state income taxes. We are required to provide a valuation allowance for our deferred tax assets in excess of deferred tax liabilities because we have concluded that it is more likely than not that such deferred tax assets will ultimately not be realized. As a result, our pre-tax losses for the three and six months ended June 30, 2009 were not reduced by any tax benefit. No federal income tax expense was recognized related to our pretax income for the three and six months ended June 30, 2010 due to the utilization of book net operating loss carryforwards ("NOLs") for which no benefit had previously been recognized.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. Based on currently available information, the pending Merger with a subsidiary of UAL is expected to result in a Section 382 ownership change for Continental. The ultimate determination will be based on facts and circumstances at the time the transaction closes. In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.01% for June 2010). Any unused annual limitation may be carried over to later years. The amount of the limitation may, under certain circumstances, be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. If we were to have an ownership change as of June 30, 2010 under current conditions, our annual NOL utilization could be limited to $124 million per year, before consideration of any built-in gains.

NOTE 12 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. The mainline segment consists of flights using larger jets while the regional segment currently consists of flights with a capacity of 78 or fewer seats. As of June 30, 2010, flights in our regional segment were operated by ExpressJet, Chautauqua, CommutAir and Colgan through capacity purchase agreements.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing) and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information by business segment is set forth below (in millions):

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Revenue:				
Mainline	$ 3,100	$ 2,644	$ 5,777	$ 5,173
Regional	608	482	1,100	914
Total Consolidated	$ 3,708	$ 3,126	$ 6,877	$ 6,087
Operating Income (Loss):				
Mainline	$ 306	$ (64)	$ 329	$ —
Regional	22	(90)	(51)	(208)
Total Consolidated	$ 328	$ (154)	$ 278	$ (208)
Net Income (Loss):				
Mainline	$ 214	$ (120)	$ 145	$ (135)
Regional	19	(93)	(58)	(214)
Total Consolidated	$ 233	$ (213)	$ 87	$ (349)

The amounts in the table above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by regional carriers and expenses include all activity related to the regional operations, regardless of whether the costs were paid directly by us or to the regional carriers.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Aircraft Purchase Commitments. As of June 30, 2010, we had firm commitments to purchase 86 new aircraft (58 Boeing 737 aircraft, three Boeing 777 aircraft and 25 Boeing 787 aircraft) scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $5.1 billion including related spare engines. We are currently scheduled to take delivery of two Boeing 777 aircraft and 12 Boeing 737 aircraft through the end of 2010. In addition to our firm order aircraft, we had options to purchase a total of 98 additional Boeing aircraft as of June 30, 2010.

We have obtained financing for the two Boeing 777 aircraft and nine of the Boeing 737 aircraft to be delivered in 2010, provided that they are delivered by August 31, 2010. We expect the 11 aircraft to be delivered by such date. However, we do not have backstop financing or any other financing currently in place for the balance of the Boeing aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that backstop financing or any other financing not already in place for our aircraft deliveries will be available to us when needed on acceptable terms or at all. Since the commitments for firm order aircraft are non-cancelable, and assuming no breach of the agreement by Boeing, if we are unable to obtain financing and cannot otherwise satisfy our commitment to purchase these aircraft, the manufacturer could exercise its rights and remedies under applicable law, such as seeking to terminate the contract for a material breach, selling the aircraft to one or more other parties and suing us for damages to recover any resulting losses incurred by the manufacturer.

Financings and Guarantees. We are the guarantor of approximately $1.7 billion in aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon, excluding the US Airways contingent liability described below. These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately $1.5 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately $190 million of these obligations are accounted for as capital leases.

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of $109 million at June 30, 2010 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also had letters of credit and performance bonds relating to various real estate, customs, and aircraft financing obligations at June 30, 2010 in the amount of $85 million. These letters of credit and performance bonds have expiration dates through December 2012.

General Guarantees and Indemnifications. We are the lessee under many real estate leases. It is common in such commercial lease transactions for us as the lessee to agree to indemnify the lessor and other related third parties for tort liabilities that arise out of or relate to our use or occupancy of the leased premises and the use or occupancy of the leased premises by regional carriers operating flights on our behalf. In some cases, this indemnity extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by their gross negligence or willful misconduct. Additionally, we typically indemnify such parties for any environmental liability that arises out of or relates to our use of the leased premises.

In our aircraft financing agreements, we typically indemnify the financing parties, trustees acting on their behalf and other related parties against liabilities that arise from the manufacture, design, ownership, financing, use, operation and maintenance of the aircraft and for tort liability, whether or not these liabilities arise out of or relate to the negligence of these indemnified parties, except for their gross negligence or willful misconduct.

We expect that we would be covered by insurance (subject to deductibles) for most tort liabilities and related indemnities described above with respect to real estate we lease and aircraft we operate.

In our financing transactions that include loans, we typically agree to reimburse lenders for any reduced returns with respect to the loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on the London Interbank Offered Rate ("LIBOR"), for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At June 30, 2010, we had $1.4 billion of floating rate debt and $269 million of fixed rate debt, with remaining terms of up to ten years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to ten years and an aggregate carrying value of $1.5 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions.

We may be required to make future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements, laws governing LIBOR based loans or tax laws, the amounts of which cannot be estimated at this time.

Credit Card Processing Agreement. The covenants contained in our domestic bank-issued credit card processing agreement with Chase Bank USA, N.A. ("Chase") require that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC- from Moody's and Standard & Poor's, respectively.

Under the terms of our credit card processing agreement with American Express, if a covenant trigger under the Chase processing agreement requires us to post additional collateral under that agreement, we would be required to post additional collateral under the American Express processing agreement. The amount of additional collateral required under the American Express processing agreement would be based on a percentage of the value of unused tickets (for travel at a future date) purchased by customers using the American Express card. The percentage for purposes of this calculation is the same as the percentage applied under the Chase processing agreement, after taking into account certain other risk protection maintained by American Express.

Under these processing agreements and based on our current air traffic liability exposure (as defined in each agreement), we would be required to post collateral up to the following amounts if we failed to comply with the covenants described above:

- a total of $90 million if our unrestricted cash, cash equivalents and short-term investments balance falls below $2.0 billion;
- a total of $265 million if we fail to maintain the minimum unsecured debt ratings specified above;
- a total of $499 million if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.4 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.25 to 1.0; and
- a total of $1.1 billion if our unrestricted cash, cash equivalents and short-term investments balance (plus any collateral posted at Chase) falls below $1.0 billion or if our ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities falls below 0.22 to 1.0.

The amounts shown above are incremental to the current collateral we have posted with these companies. We are currently in compliance with all of the covenants under these processing agreements.

Credit Ratings. At June 30, 2010, our senior unsecured debt was rated B3 by Moody's and CCC+ by Standard & Poor's. These ratings are significantly below investment grade. Due to our current credit ratings, our borrowing costs are higher and our financing options are more limited than borrowers with investment grade credit ratings. Additional downgrades in our credit ratings could further increase our borrowing costs and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, as discussed above, we would have to post additional collateral of approximately $265 million under our Chase and American Express processing agreements if our senior unsecured debt rating were to fall below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. The insurer under our workers' compensation program has the right to require us to post up to $32 million of additional collateral under a number of conditions, including based on our current senior unsecured debt rating, which is currently at the minimum of B3 as rated by Moody's and below the minimum of B- as rated by Standard & Poor's. We could also be required to post a higher amount of collateral with our fuel hedge counterparties if our credit ratings were to fall, or if our unrestricted cash, cash equivalents and short-term investments balance fell below certain specified levels, and our fuel hedges were in a liability position. In such a case, the total amount of the collateral that we might be required to post at any time would be up to the amount of our liability to our respective counterparties under the related derivative instruments. Our fuel hedging agreement with one counterparty also requires us to post additional collateral of up to 10% of the notional amount of our hedging contracts with that counterparty if either of our corporate credit ratings falls below its current level, which is B2 as rated by Moody's or B as rated by Standard & Poor's. Our fuel derivative contracts do not contain any other credit risk-related contingent features, other than those related to a change in control.

Trans-Atlantic Joint Venture. On July 10, 2009, the DOT approved our application to join United and a group of eight other carriers within Star Alliance that already hold antitrust immunity. Additionally, we, United, Lufthansa and Air Canada have received final DOT approval to establish a trans-Atlantic joint venture to create a more efficient and comprehensive trans-Atlantic network, offering customers more service, scheduling and pricing options. As part of the trans-Atlantic joint venture, we are in negotiations to implement a revenue-sharing structure amongst the joint venture participants. As currently contemplated, the revenue sharing structure would result in payments between participants based on a formula that compares current period unit revenue performance on trans-Atlantic routes to a historic period or "baseline," which is reset annually. The payments would be calculated on a quarterly basis and subject to a cap. Assuming that revenue sharing is implemented and that the revenue sharing formula is applied retroactive to January 1, 2010, as currently contemplated, we estimate that our liability for revenue sharing payments to joint venture carriers that we have relatively outperformed would be approximately $40 million for the six months ended June 30, 2010. This estimate of our revenue sharing obligation for the first six months of 2010 is not indicative of our expectations for the full year, as we currently expect our net obligation for 2010 to be substantially less than this amount. In addition, the estimated revenue sharing payment for the year is substantially less than the additional passenger revenue we receive from the joint marketing, scheduling and pricing efforts of the joint venture. Future results will also be impacted by the current year results, which will serve as the baseline in future years for calculating relative performance in the revenue sharing formula.

Employees. As of June 30, 2010, we had approximately 40,730 employees. Due to the number of part-time employees and adjusting for overtime, we had an average of 38,800 full-time equivalent employees for the three months ended June 30, 2010. Including the fleet service employees discussed below, approximately 63% of our full-time equivalent employees are represented by unions.

On February 12, 2010, the National Mediation Board informed us that our fleet service employees had voted in favor of representation by the International Brotherhood of Teamsters (Teamsters). The election covers approximately 7,600 employees, or 6,340 full-time equivalent ramp, operations and cargo agents. We are in the process of negotiating a collective bargaining agreement with the Teamsters covering our fleet service employees.

On March 18, 2010, we announced that we had reached a tentative agreement on a new four-year labor contract with the Transport Workers Union ("TWU") that represents our dispatchers, which agreement our dispatchers ratified on April 20, 2010.

Most of our collective bargaining agreements are currently amendable or become amendable in 2010. The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008 and those with our flight attendants and Continental Micronesia, Inc. ("CMI") mechanics became amendable in December 2009. With respect to our workgroups with amendable contracts, prior to the announcement of the Merger Agreement, we had been meeting with representatives of the applicable unions to negotiate amended collective bargaining agreements with a goal of reaching agreements that are fair to us and fair to our employees, and reached new agreements with our dispatchers and the simulator engineers extending through 2013 and 2012, respectively. In addition to continuing to meet with our flight attendants and mechanics to negotiate amended collective bargaining agreements for those groups, we are also engaging in discussions with several unions to find the best ways to achieve the future integration of the merged employee groups with the least amount of disruption. We expect to begin discussions with the Air Line Pilots Association International ("ALPA") regarding a joint collective bargaining agreement to cover all pilots in the merged entity in early August. The integration of Railway Labor Act ("RLA") employee groups is a difficult and sometimes contentious process, and management's role is limited. The process is governed by federal laws, including the RLA and the McCaskill-Bond Amendment, and must be accomplished in accordance with all applicable collective bargaining agreements and company policies. We cannot predict the outcome of these processes or of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us. Furthermore, there can be no assurance that our generally good labor relations and high labor productivity will continue.

Environmental Matters. We are continuing environmental remediation of jet fuel contamination on and near our aircraft maintenance hangar leasehold in Los Angeles, which began in 2005 under a work plan approved by the Los Angeles Regional Water Quality Control Board (LARWQCB) and our landlord, Los Angeles World Airports. Additionally, we could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site. On June 30, 2010, the LARWQCB required us to perform additional investigation of the site in connection with our closure plan. If necessary, we plan to appeal the imposition of certain additional requirements to the California State Water Quality Control Board. At June 30, 2010, we had an accrual for estimated costs of environmental remediation throughout our system of $29 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We did not have any receivables related to environmental insurance recoveries at June 30, 2010. Based on currently available information, we believe that our accrual for potential environmental remediation costs is adequate, although our accrual could be adjusted in the future due to new information or changed circumstances. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents and seek unspecified money damages and certain injunctive relief under the Clayton Act and the Sherman Anti-Trust Act. The pending cases, which involve a total of 90 travel agency plaintiffs, are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. On October 29, 2007, the judge for the consolidated lawsuit dismissed the case for failure to meet the heightened pleading standards established earlier in 2007 by the U.S. Supreme Court's decision in Bell Atlantic Corp. v. Twombly. On October 2, 2009, the U.S. Court of Appeals for the Sixth Circuit affirmed the trial court's dismissal of the case. On December 18, 2009, the plaintiffs' request for rehearing by the Sixth Circuit *en banc* was denied. On March 18, 2010, the plaintiffs filed a Petition for a Writ of Certiorari with the U.S. Supreme Court, to which the defendants responded on June 16, 2010. The plaintiffs in the Swope lawsuit, encompassing 43 travel agencies, have also alleged that certain claims raised in their lawsuit were not, in fact, dismissed. The trial court has not yet ruled on that issue. In the consolidated lawsuit, we believe the plaintiffs' claims are without merit, and we intend to defend vigorously any appeal. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Balance Sheet combines the historical consolidated balance sheets of UAL and Continental, giving effect to the merger as if it had been consummated on June 30, 2010. The Unaudited Pro Forma Condensed Combined Statements of Operations for the six months ended June 30, 2010 and for the year ended December 31, 2009 combine the historical consolidated statements of operations of UAL and Continental, giving effect to the merger as if it had been consummated on January 1, 2009, the beginning of the earliest period presented. The historical consolidated financial statements of Continental have been adjusted to reflect certain reclassifications in order to conform with UAL's financial statement presentation.

The Unaudited Pro Forma Condensed Combined Financial Statements were prepared using the acquisition method of accounting with UAL considered the acquirer of Continental. Accordingly, consideration given by UAL to complete the merger with Continental will be allocated to assets and liabilities of Continental based upon their estimated fair values as of the date of completion of the merger. As of the date of this current report on Form 8-K, UAL has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair value of the Continental assets acquired and the liabilities assumed and the related allocations of purchase price, nor has it identified all adjustments necessary to conform Continental's accounting policies to UAL's accounting policies. A final determination of the fair value of Continental's assets and liabilities will be based on the actual net tangible and intangible assets and liabilities of Continental that exist as of the date of completion of the merger and, therefore, could not have been made prior to the completion of the transaction. Accordingly, the pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary pro forma purchase price adjustments have been made solely for the purpose of providing the Unaudited Pro Forma Condensed Combined Financial Statements presented below. UAL estimated the fair value of Continental's assets and liabilities based on discussions with Continental's management, preliminary valuation studies, due diligence and information presented in public filings. Both companies were limited in their ability to share information prior to the completion of the merger. Final valuations will be completed in the fourth quarter of 2010. Increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of operations. There can be no assurance that such finalization will not result in material changes.

These Unaudited Pro Forma Condensed Combined Financial Statements have been developed from and should be read in conjunction with (1) the unaudited interim consolidated financial statements of UAL and Continental contained in their respective Quarterly Reports on Form 10-Q for the quarterly period ended June 30, 2010 and (2) the audited consolidated financial statements of UAL and Continental contained in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2009. The Unaudited Pro Forma Condensed Combined Financial Statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of UAL would have been had the merger occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

UAL expects to incur significant costs associated with integrating the operations of UAL and Continental. The Unaudited Pro Forma Condensed Combined Financial Statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the merger. In addition, the Unaudited Pro Forma Condensed Combined Financial Statements do not include one-time costs directly attributable to the transaction, employee retention costs or professional fees incurred by Continental or UAL pursuant to provisions contained in the merger agreement, as those costs are not considered part of the purchase price.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
June 30, 2010

(in millions)	Historical UAL	Historical Continental	Pro Forma Adjustments		Condensed Combined Pro Forma
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,906	$ 3,047	$ 13	(a)	$ 7,966
Short-term investments	—	457	—		457
Restricted cash	53	167	—		220
Receivables, net	971	610	(40)	(b)	1,541
Aircraft fuel, spare parts and supplies, net	280	275	(27)	(c)	528
Prepaid expenses and other	773	658	(275)	(d)	1,001
			(155)	(e)	
Total current assets	6,983	5,214	(484)		11,713
OPERATING PROPERTY AND EQUIPMENT, NET	9,603	7,377	(130)	(f)	16,881
			31	(g)	
OTHER ASSETS:					
Goodwill	—	—	2,990	(h)	2,990
Intangibles, net	2,416	780	2,576	(i)	5,772
Other, net	1,132	228	(13)	(a)	1,169
			(178)	(j)	
Total other assets	3,548	1,008	5,375		9,931
Total assets	$20,134	$ 13,599	$ 4,792		$ 38,525
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital leases	$ 1,879	$ 1,142	$ —		$ 3,021
Advance ticket sales	2,300	2,607	(190)	(k)	4,271
			(446)	(l)	
Frequent flyer deferred revenue	1,745	—	602	(l)	2,347
Accounts payable	926	988	(28)	(b)	1,729
			(168)	(d)	
			11	(m)	
Other accrued liabilities	1,723	695	(12)	(b)	2,510
			120	(d)	
			11	(n)	
			(27)	(q)	
Total current liabilities	8,573	5,432	(127)		13,878
NONCURRENT LIABILITIES:					
Long-term debt and capital leases	7,295	4,912	(17)	(g)	12,102
			(88)	(j)	
Pension and related benefits	—	1,232	458	(o)	1,779
			89	(p)	
Frequent flyer deferred revenue	2,356	—	844	(l)	3,200
Postretirement benefit liability	1,940	223	16	(o)	2,179
Advanced purchase of miles	1,115	—	—		1,115
Deferred income taxes	537	221	760	(e)	1,518
Other noncurrent liabilities	1,074	855	535	(d)	1,910
			94	(m)	
			(294)	(n)	
			(89)	(p)	
			(265)	(q)	
Total noncurrent liabilities	14,317	7,443	2,043		23,803
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock	2	1	(1)	(r)	3
			1	(s)	
Additional paid-in capital	3,146	2,240	(2,240)	(r)	6,745
			3,599	(s)	
Accumulated deficit	(5,765)	(355)	355	(r)	(5,765)
Accumulated other comprehensive income (loss)	(109)	(1,162)	1,218	(o)	(109)
			(56)	(r)	
Stock held in treasury, at cost	(30)	—	—		(30)
Total stockholders' equity (deficit)	(2,756)	724	2,876		844
Total liabilities and stockholders' equity (deficit)	$20,134	$ 13,599	$ 4,792		$ 38,525

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2010

(in millions, except per share data)	Historical UAL	Historical Continental	Pro Forma Adjustments		Condensed Combined Pro Forma
OPERATING REVENUE:					
Passenger	$8,599	$ 6,114	$ 42	(k)	$ 15,091
			15	(l)	
			321	(p)	
Cargo	347	213	—		560
Other operating revenue	456	550	(321)	(p)	665
			(20)	(q)	
Total operating revenue	9,402	6,877	37		16,316
OPERATING EXPENSES:					
Aircraft fuel	2,156	1,822	(315)	(p)	3,663
Salaries and related costs	1,968	1,618	(57)	(o)	3,475
			(82)	(p)	
			28	(u)	
Regional Affiliates	1,726	413	711	(p)	2,850
Depreciation and amortization	428	256	(1)	(c)	702
			(8)	(f)	
			1	(g)	
			37	(i)	
			(11)	(p)	
Aircraft maintenance materials and outside repairs	467	283	(9)	(m)	741
Landing fees and other rent	469	428	7	(n)	850
			(54)	(p)	
Aircraft rent	162	459	(67)	(d)	433
			(125)	(p)	
			4	(q)	
Distribution expenses	291	361	(51)	(p)	601
Other impairments and special items	124	34	(46)	(t)	112
Other operating expenses	1,108	925	(64)	(l)	1,896
			(73)	(p)	
Total operating expenses	8,899	6,599	(175)		15,323
EARNINGS (LOSS) FROM OPERATIONS	503	278	212		993
OTHER INCOME (EXPENSE):					
Interest expense, net	(341)	(170)	11	(j)	(500)
Miscellaneous, net	27	(20)	—		7
Total other income (expense), net	(314)	(190)	11		(493)
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	189	88	223		500
INCOME TAX BENEFIT (EXPENSE)	1	(1)	—	(e)	—
INCOME BEFORE EQUITY IN EARNINGS OF AFFILIATES	190	87	223		500
EQUITY IN EARNINGS OF AFFILIATES, NET OF TAX	1	—	—		1
NET INCOME (LOSS)	$ 191	$ 87	$ 223		$ 501
EARNINGS PER SHARE:					
BASIC	$ 1.14	$ 0.62		(v)	$ 1.59
DILUTED	$ 0.96	$ 0.60		(v)	$ 1.38
WEIGHTED AVERAGE SHARES OUTSTANDING:					
BASIC	168	139		(v)	314
DILUTED	209	153		(v)	379

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2009

(in millions, except per share data)	Historical UAL	Historical Continental	Pro Forma Adjustments		Condensed Combined Pro Forma
OPERATING REVENUE:					
Passenger	$14,974	$ 11,138	$ (100)	(k)	$ 26,560
			(21)	(l)	
			569	(p)	
Cargo	536	366	—		902
Other operating revenue	825	1,082	(133)	(l)	1,167
			(569)	(p)	
			(38)	(q)	
Total operating revenue	16,335	12,586	(292)		28,629
OPERATING EXPENSES:					
Aircraft fuel	3,405	3,317	(498)	(p)	5,820
			(404)	(r)	
Salaries and related costs	3,773	3,137	(140)	(o)	6,608
			(162)	(p)	
Regional Affiliates	2,939	848	1,278	(p)	5,065
Depreciation and amortization	902	494	(1)	(c)	1,451
			(16)	(f)	
			2	(g)	
			97	(i)	
			(27)	(p)	
Aircraft maintenance materials and outside repairs	965	617	(17)	(m)	1,565
Landing fees and other rent	905	841	14	(n)	1,660
			(100)	(p)	
Aircraft rent	346	934	(134)	(d)	899
			(255)	(p)	
			8	(q)	
Distribution expenses	534	624	(90)	(p)	1,068
Other impairments and special items	374	145	(32)	(o)	487
Other operating expenses	2,353	1,775	(67)	(l)	3,915
			(146)	(p)	
Total operating expenses	16,496	12,732	(690)		28,538
EARNINGS (LOSS) FROM OPERATIONS	(161)	(146)	398		91
OTHER INCOME (EXPENSE):					
Interest expense, net	(548)	(322)	18	(j)	(852)
Miscellaneous, net	37	29	—		66
Total other income (expense), net	(511)	(293)	18		(786)
LOSS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	(672)	(439)	416		(695)
INCOME TAX BENEFIT (EXPENSE)	17	157	(125)	(e)	49
LOSS BEFORE EQUITY IN EARNINGS OF AFFILIATES	(655)	(282)	291		(646)
EQUITY IN EARNINGS OF AFFILIATES, NET OF TAX	4	—	—		4
NET INCOME (LOSS)	$ (651)	$ (282)	$ 291		$ (642)
LOSS PER SHARE, BASIC AND DILUTED	$ (4.32)	$ (2.18)		(v)	$ (2.24)
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED	151	129		(v)	286

The accompanying notes are an integral part of the Unaudited Pro Forma Condensed Combined Financial Statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

On May 2, 2010, UAL and Continental entered into the merger agreement whereby Continental would become a wholly-owned subsidiary of UAL. The merger closed on October 1, 2010. Under the terms of the merger agreement, each outstanding share of Continental common stock was exchanged for 1.05 shares of UAL common stock. In addition, Continental stock options were converted into stock options and equity awards with respect to UAL common stock, after giving effect to the exchange ratio.

The accompanying Unaudited Pro Forma Condensed Combined Financial Statements were prepared in accordance with Accounting Standards Codification Topic 805, formerly Statement of Financial Accounting Standards No. 141 (revised 2009), “Business Combinations,” using the acquisition method of accounting with UAL considered the acquirer of Continental.

The accompanying Unaudited Pro Forma Condensed Combined Financial Statements present the pro forma consolidated financial position and results of operations of the combined company based upon the historical financial statements of UAL and Continental, after giving effect to the merger and adjustments described in these notes, and are intended to reflect the impact of the merger on UAL’s consolidated financial statements. The accompanying Unaudited Pro Forma Condensed Combined Financial Statements are presented for illustrative purposes only and do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings due to operating efficiencies or revenue synergies expected to result from the merger.

The Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the merger as if it had been consummated on June 30, 2010 and includes estimated pro forma adjustments for the preliminary valuations of assets acquired and liabilities assumed. These adjustments are subject to further revision as additional information becomes available and additional analyses are performed. The Unaudited Pro Forma Condensed Combined Statements of Operations give effect to the merger as if it had been consummated on January 1, 2009, the beginning of the earliest period presented.

The Unaudited Pro Forma Condensed Combined Balance Sheet has been adjusted to reflect the preliminary allocation of the purchase price to identifiable net assets acquired and the excess purchase price to goodwill. The purchase price allocation in these Unaudited Pro Forma Condensed Combined Financial Statements is based upon a purchase price of approximately $3.6 billion. This amount was derived as described below in accordance with the merger agreement, based on the outstanding shares of Continental common stock at September 30, 2010, the exchange ratio of 1.05 shares of UAL common stock for each Continental share and a price per UAL common share of $23.66, which represents the closing price of UAL shares of common stock on September 30, 2010. The purchase price also includes the estimated fair value of stock options issued upon the closing of the merger in exchange for similar securities of Continental. Continental stock options outstanding at June 30, 2010, substantially all of which became fully vested as of the date of the merger, were assumed by UAL and modified to provide for the purchase of UAL common stock. Accordingly, the number of shares and the price per share were adjusted for the 1.05 exchange ratio. Vested stock options held by employees of Continental are considered part of the purchase price. Accordingly, the purchase price includes an estimated fair value of stock options issued by UAL of approximately $98 million.

The preliminary purchase price is calculated as follows:

(in millions, except per share data)	
Outstanding shares of Continental common stock to be exchanged	141
Exchange ratio	1.05
Shares of UAL common stock to be issued	148
Price per share	$23.66
Fair value of UAL shares issued	$3,502
Fair value of UAL options issued in exchange for outstanding Continental stock options	98
Total estimated purchase price	$3,600

The table below represents a preliminary allocation of the total consideration to Continental's tangible and intangible assets and liabilities based on UAL management's preliminary estimate of their respective fair values as of June 30, 2010:

(in millions)	
Cash and cash equivalents	$ 3,060
Other current assets	1,670
Property and equipment	7,278
Goodwill	2,990
Identified intangibles	3,356
Other noncurrent assets	37
Long-term debt and capital leases, including current portion	(5,949)
Advance ticket sales	(1,971)
Frequent flyer liability	(1,446)
Pension and postretirement benefits	(1,929)
Deferred income taxes	(981)
Other liabilities assumed	(2,515)
Total estimated purchase price	$ 3,600

Upon completion of the fair value assessment, it is anticipated that the ultimate purchase price allocation will differ from the preliminary assessment outlined above. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill.

Note 2. Pro Forma Adjustments

The Unaudited Pro Forma Condensed Combined Statements of Operations do not include any material non-recurring charges that will arise in subsequent periods as a result of the merger. The Unaudited Pro Forma Condensed Combined Financial Statements reflect the following adjustments:

(a) Cash Held in Escrow. The reclassification of a $13 million Continental deposit held in escrow for the purchase of slots from UAL from other noncurrent assets to cash and cash equivalents.

(b) Intercompany Balances. The elimination of $40 million of receivables and payables between UAL and Continental associated with sales to customers on behalf of the other airline and Mileage Plus/OnePass frequent flyer miles and awards earned or redeemed on the other airline.

(c) Aircraft Fuel, Spare Parts and Supplies. A $27 million reduction to reflect the fair value of Continental's aircraft fuel, spare parts and supplies, net. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a decrease in depreciation expense of $1 million for both the six months ended June 30, 2010 and the year ended December 31, 2009.

(d) Aircraft Operating Leases. Adjustments to (i) eliminate Continental's aircraft rent leveling accounts, which reduced prepaid expenses and other current assets by $275 million and accounts payable by $168 million, and (ii) record the fair value of Continental's aircraft operating leases of $655 million (of which $535 million represents the noncurrent portion). As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a decrease in aircraft rent expense of $67 million for the six months ended June 30, 2010 and $134 million for the year ended December 31, 2009.

(e) Income Taxes. To record the income tax effects of the purchase accounting adjustments.

(f) Property and Equipment. A $130 million reduction to reflect the fair value of Continental's owned property and equipment. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a decrease in depreciation expense of $8 million for the six months ended June 30, 2010 and $16 million for the year ended December 31, 2009.

(g) Capital Leases. A $31 million increase to property and equipment and a $17 million decrease to long-term debt and capital leases to reflect the fair value of Continental's property and equipment accounted for as capital leases. As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect an increase in depreciation expense of $1 million for the six months ended June 30, 2010 and $2 million for the year ended December 31, 2009.

(h) Goodwill. To record the goodwill resulting from the merger. Goodwill is not amortized, but rather is assessed for impairment at least annually or more frequently whenever events or circumstances indicate that goodwill might be impaired.

(i) Intangible Assets. An increase of $2.6 billion associated with adjustments to record the fair value of Continental's identifiable intangible assets, including indefinite-lived intangible assets such as route authorities, take-off and landing slots, airline alliances and logo, and amortizable intangible assets such as Continental's frequent flyer customer database and other agreements. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a net increase in amortization expense of $37 million for the six months ended June 30, 2010 and $97 million for the year ended December 31, 2009.

(j) Long-Term Debt. A reduction of $88 million to long-term debt and capital leases to reflect the fair value of Continental's long-term debt and the elimination of $178 million of other noncurrent assets primarily associated with deferred debt issuance costs incurred by Continental. The difference between the fair value and the face amount of each borrowing is amortized as interest expense over the remaining term of the borrowings based on the maturity dates. As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect lower interest expense of $11 million for the six months ended June 30, 2010 and $18 million for the year ended December 31, 2009.

(k) Advance Ticket Sales. A reduction of $190 million to Continental's advance ticket sales to conform to UAL's accounting policy for ticket breakage. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect an increase in passenger revenue of $42 million for the six months ended June 30, 2010 and a decrease in passenger revenue of $100 million for the year ended December 31, 2009.

(l) Frequent Flyer Deferred Revenue. Adjustments to (i) eliminate the $446 million liability for Continental's OnePass frequent flyer program, a portion of which was accounted under the incremental cost method and recorded within the air traffic liability, (ii) record the fair value of Continental's OnePass liability of $1.4 billion (of which $844 million represents the noncurrent portion), and (iii) reflect the adoption of deferred revenue accounting to conform to UAL's frequent flyer accounting policy and financial statement presentation. As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect an increase in passenger revenue of $15 million and a decrease in other operating expenses of $64 million for the six months ended June 30, 2010 and decreases in passenger revenue of $21 million, other revenue of $133 million and other operating expenses of $67 million for the year ended December 31, 2009.

(m) Maintenance Contract. An increase of $105 million (of which $94 million represents the noncurrent portion) to liabilities to reflect the fair value of a Continental maintenance contract with a third party. As a result of this adjustment, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a decrease in aircraft maintenance, material and outside repair expense of $9 million for the six months ended June 30, 2010 and $17 million for the year ended December 31, 2009.

(n) Facility Operating Leases. Adjustments to (i) eliminate Continental's facility rent leveling accounts, which reduced other noncurrent liabilities by $456 million, and (ii) record the fair value of Continental's facility operating leases of $173 million (of which $162 million represents the noncurrent portion). As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect an increase in landing fees and other rent of $7 million for the six months ended June 30, 2010 and $14 million for the year ended December 31, 2009.

(o) Pension Liability. Adjustments to record Continental's pension assets at fair value, remeasure its pension and postretirement benefit obligations at current discount rates and eliminate $1.2 billion of unrecognized prior service cost and unrecognized actuarial losses recorded in other comprehensive income (loss). As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect lower salaries and related costs of $57 million for the six months ended June 30, 2010 and $140 million for the year ended December 31, 2009 and lower other impairments and special items of $32 million for the year ended December 31, 2009 related to the elimination of amortization or settlement charge recognition of pension and postretirement prior service costs and actuarial gains and losses.

(p) Conforming Reclassifications. Certain reclassifications have been made (i) between UAL's other noncurrent liabilities and pension and related benefits to report UAL's pension liabilities separately, (ii) between Continental's passenger revenue and other revenue to conform to the UAL presentation of baggage and change fees as passenger revenue rather than other revenue and (iii) between various categories of Continental's operating expenses and regional affiliates expense to conform to the UAL presentation of all expenses related to regional affiliates being reported as regional affiliates expense. Continental's historical presentation includes only capacity purchase expenses in regional affiliates expense. This reclassification includes amounts recorded to other expense line items in other pro forma adjustments.

(q) Deferred Gains. An adjustment to reduce Continental's other accrued liabilities by $27 million and other noncurrent liabilities by $265 million related to the elimination of deferred gains associated with certain long-term contracts. As a result of these adjustments, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect a decrease in other revenue of $20 million and an increase in aircraft rent expense of $4 million for the six months ended June 30, 2010, and a decrease of $38 million in other revenue and an increase in aircraft rent expense of $8 million for the year ended December 31, 2009.

(r) Continental Stockholders' Equity. The elimination of all of Continental's stockholders' equity, including $1 million of common stock, $2.2 billion of additional paid-in capital, $355 million of accumulated deficit and the remaining $56 million of accumulated other comprehensive income as a result of the acquisition method of accounting. The pension-related items in other comprehensive income (loss) are eliminated in adjustment (o). As a result of these adjustments, in addition to the pension and postretirement benefits adjustments discussed above, the Unaudited Pro Forma Condensed Combined Statements of Operations reflect lower aircraft fuel expenses of $404 million for the year ended December 31, 2009 related to Continental's fuel hedge losses that had previously been deferred in accumulated other comprehensive income (loss) but were eliminated upon the application of the acquisition method of accounting.

(s) UAL Common Stock Issuance. As discussed in Note 1, approximately 148 million shares of UAL common stock were issued to Continental stockholders at a per share price of $23.66 totaling $3.5 billion. Additionally, options to purchase an estimated 7 million shares of UAL common stock with a fair value of $98 million will be issued to Continental employees for converted Continental stock options.

(t) Merger-Related Costs. A reduction of other impairments and special items of $46 million to remove the effect of one-time costs directly related to the merger during the six months ended June 30, 2010.

(u) Profit Sharing. An adjustment of $28 million to record the profit sharing expense associated with other pro forma adjustments.

(v) Earnings (Loss) Per Share. The pro forma combined basic and diluted earnings (loss) per share for the six months ended June 30, 2010 and year ended December 31, 2009 is calculated as follows:

(in millions, except per share data)	Pro Forma Six Months Ended June 30, 2010	Pro Forma Year Ended December 31, 2009
Pro forma net income (loss)	$ 501	$ (642)
Effect of 6% Senior Convertible Notes due 2029 – UAL	10	—
Effect of 4.5% Convertible Notes due 2015 – Continental	5	—
Effect of 5.0% Convertible Notes due 2023 – Continental	9	—
Pro forma earnings (loss) applicable to common stockholders including the effect of dilutive securities	$ 525	$ (642)
Basic weighted average shares outstanding of UAL	168	151
Estimated shares of UAL common stock to be issued:		
Continental shares issued and outstanding (1)	146	135
Basic weighted average shares outstanding	314	286
Dilutive effect of securities:		
6% Senior Convertible Notes due 2029 – UAL	40	—
4.5% Convertible Notes due 2015 – Continental	12	—
5.0% Convertible Notes due 2023 – Continental	9	—
Restricted shares and units and stock options	4	—
Diluted weighted average shares outstanding	379	286
Pro forma basic earnings (loss) per share	$ 1.59	$ (2.24)
Pro forma diluted earnings (loss) per share	$ 1.38	$ (2.24)

(1) Represents estimated shares of UAL common stock to be issued or issuable after giving effect to the 1.05 exchange ratio as determined in the merger agreement.