United Continental Holdings, Inc.
Form 424B3
November 01, 2013
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This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but it is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-181014

Subject to completion, dated November 1, 2013

Prospectus supplement to prospectus dated April 27, 2012

$300,000,000

% Senior Notes due 2020

Guaranteed by

United Airlines, Inc.

We will pay interest at the rate of % per year on the principal amount of the notes semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2014. The notes will mature on December 1, 2020.

We may redeem all of the notes at any time or a portion of the notes from time to time prior to their maturity for cash at the redemption price described in this prospectus supplement.

The notes will be fully and unconditionally guaranteed by our subsidiary United Airlines, Inc.

The notes represent our senior unsecured obligations, and the note guarantee represents the senior unsecured obligation of the guarantor. The notes and the note guarantee rank equally in right of payment with all of our and the guarantor s existing and future unsecured and

unsubordinated debt. However, the notes and the note guarantee are effectively subordinated to all of our and the guarantor s existing and future secured debt to the extent of the collateral securing such debt and structurally subordinated to all existing and future obligations of our subsidiaries other than the guarantor.

The notes will not be listed on any national securities exchange.

	Per note	***Total***
Public offering price [1]	*%*	*$*
Underwriting discounts and commissions	*%*	*$*
Proceeds, before expenses, to us	*%*	*$*

(1) Plus accrued interest, if any, from the date of issuance.

Investing in our notes involves risk. See Risk Factors beginning on page S-4 of this prospectus supplement.

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

The underwriters are offering the notes as set forth under Underwriting. We expect to deliver the notes in book-entry form only on or about November , 2013.

Joint Book-Running Managers

MORGAN STANLEY **Credit Suisse**

The date of this prospectus supplement is November , 2013.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of notes. The second part, the base prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

In this prospectus supplement, unless otherwise indicated or the context otherwise requires, United Continental Holdings, UAL, we, us and ou refer to United Continental Holdings, Inc. as a separate corporation, and the Company refers to United Continental Holdings and its consolidated subsidiaries, including United Airlines, Inc.

On March 31, 2013, UAL merged United Air Lines, Inc., a wholly-owned subsidiary (Old United), with and into Continental Airlines, Inc. (Continental), a wholly-owned subsidiary, to form one legal entity (the Airlines Merger), with Continental continuing as the surviving corporation of the Airlines Merger and as a wholly-owned subsidiary of UAL. Upon closing of the Airlines Merger on March 31, 2013, Continental s name was changed to United Airlines, Inc. (United). As a result, the accompanying prospectus shall be deemed modified to give effect to the Airlines Merger and the name change.

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You should rely only on the information contained in this prospectus supplement and accompanying prospectus and on the information incorporated by reference herein. We have not authorized anyone to provide you with different information. The distribution of this prospectus and sale of these securities in certain jurisdictions may be restricted by law. Persons in possession of this prospectus are required to inform themselves about and observe any such restrictions. We are not making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated herein by reference is accurate only as of those documents respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary includes basic information about us and this offering. It may not contain all of the information that is important to you. For a more complete understanding of the Company and this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus, as well as the materials filed with the Securities and Exchange Commission (the SEC) that are considered to be part of this prospectus supplement and the accompanying prospectus. See Incorporation of Certain Documents by Reference in this prospectus supplement and the accompanying prospectus.

United Continental Holdings, Inc.

United Continental Holdings, Inc. (UAL) is a holding company, and its principal subsidiary is United Airlines, Inc. (United). United transports people and cargo through its mainline operations, which utilize jet aircraft with at least 108 seats, and regional operations, which utilize smaller aircraft that are operated under contract by United Express carriers. The Company serves major markets around the world, either directly or through participation in Star Alliance®, the world s largest airline alliance. The Company operates an average of more than 5,300 flights a day to more than 360 airports across six continents. The principal executive offices of UAL and United are located at 233 S. Wacker Drive, Chicago, Illinois 60606, telephone (312) 997-8000.

The Offering

Issuer	United Continental Holdings, Inc.
Notes	$300,000,000 aggregate principal amount of % Senior Notes due 2020.
Maturity	December 1, 2020.
Interest	The notes will bear interest at the rate of % per year on the principal amount. Interest is payable semiannually in arrears on June 1 and December 1 of each year, beginning June 1, 2014. Interest will be calculated using a 360-day year composed of twelve 30-day months. Interest will accrue from the date of original issuance of the notes.
The Note Guarantee	The notes will be fully and unconditionally guaranteed by United (the Guarantor).
Ranking	The notes represent our senior unsecured obligations, and the note guarantee represents the senior unsecured obligation of the Guarantor. The notes and note guarantee rank equally in right of payment with all of our and the Guarantor s existing and future unsecured and unsubordinated debt. However, the notes and the note guarantee are effectively subordinated to all of our and the Guarantor s existing and future secured debt to the extent of the collateral securing such debt and structurally subordinated to all existing and future liabilities of UAL s subsidiaries other than the Guarantor.

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	As of September 30, 2013, assuming that the notes had been issued on such date: UAL would have had approximately $1.7 billion of long-term debt (including current maturities), none of which was secured; UAL and its subsidiaries would have had approximately $12.4 billion of long-term debt and capital lease obligations (including current maturities), of which approximately $10.1 billion was secured, and in addition, as of such date and as of the date hereof, United had available and undrawn $1.0 billion under a secured revolving credit facility; and United had entered into guarantees for approximately $1.9 billion aggregate principal amount of tax-exempt special facilities revenue bonds and related interest.
Sinking Fund	None.
Optional Redemption	We may redeem for cash all of the notes at any time or a portion of the notes from time to time, by paying a redemption price equal to the greater of (1) 100% of the principal amount of the notes being redeemed and (2) a make-whole amount, if any, plus in either case accrued and unpaid interest to the redemption date.
Merger and Sales of Assets	The indenture governing the notes will specify certain requirements if we or the Guarantor consolidates with, merges into, or conveys, transfers or leases all or substantially all of our or the Guarantor s properties and assets to another Person.
Change of Control	We must offer to repurchase all of the notes at a price of 101% of the principal amount thereof plus accrued and unpaid interest to the purchase date in the event of a Change of Control, as defined in the indenture governing the notes.
Restrictive Covenants	The indenture governing the notes will limit our ability and the ability of our restricted subsidiaries to: incur debt or issue preferred stock; pay dividends, redeem stock or make other distributions or restricted payments; and designate subsidiaries as unrestricted.

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	These covenants will be subject to a number of important exceptions and qualifications. For example, under certain circumstances we and our restricted subsidiaries will be permitted to make significant restricted payments, incur significant amounts of indebtedness and issue preferred stock. See Description of Notes Certain Covenants Restricted Payments and Description of Notes Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock. The notes lack a cross-default provision, a judgment default provision and some covenants typically found in other comparably rated debt securities, including some of our debt securities. See Risk Factors Risks Related to the Notes.
Form and Settlement; Book-Entry System	The notes will be issued in fully registered form and will be represented by one or more global notes. The global notes will be deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company (DTC). Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, book entry records maintained by DTC and its direct and indirect participants. Your interest in a global note may not be exchanged for certificated notes, except in limited circumstances.
Trading	We do not intend to list the notes on any national securities exchange. The notes will be new securities for which there is currently no public market.
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million. We intend to use the net proceeds we receive from this offering for general corporate purposes.

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RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with all of the other information included in or incorporated by reference into this prospectus supplement and the accompanying prospectus, before purchasing the notes. If any of these risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. As a result, the market value of the notes could decline, and you could lose part or all of your investment.

Risk Factors Relating to the Company

The Merger may present certain material risks to the Company s business and operations.

On May 2, 2010, UAL Corporation, Continental Airlines, Inc. (Continental), and JT Merger Sub Inc., a wholly-owned subsidiary of UAL Corporation, entered into an Agreement and Plan of Merger providing for a merger of equals business combination. On October 1, 2010, JT Merger Sub Inc. merged with and into Continental, with Continental surviving as a wholly-owned subsidiary of UAL Corporation (the Merger). Upon closing of the Merger, UAL Corporation became the parent company of both Continental and Old United and UAL Corporation s name was changed to United Continental Holdings, Inc. On March 31, 2013, Old United merged with and into Continental, with Continental continuing as the surviving corporation of the Airlines Merger and as a wholly-owned subsidiary of UAL. Upon the closing of the Airlines Merger, Continental s name was changed to United Airlines, Inc.

The Merger may present certain risks to the Company s business and operations including, among other things, risks that:

- we may be unable to successfully integrate businesses and workforces;
- we may be unable to successfully manage the expanded business with respect to monitoring new operations and associated increased costs and complexity;
- we may be unable to avoid potential liabilities and unforeseen increased expenses or delays associated with the Merger and integration, including in connection with the Airlines Merger;
- we may be unable to successfully manage the complex integration of systems, technology, aircraft fleets, networks and other assets in a manner that minimizes any adverse impact on the Company and the Company s customers, vendors, suppliers, employees and other constituencies; and
- we may experience disruption of, or inconsistencies in, standards, controls, reports on operations, procedures, policies and services.

Accordingly, there can be no assurance that the Merger will result in the realization of the full benefits of synergies, innovation and operational efficiencies that we currently expect, that these benefits will be achieved within the anticipated timeframe or that we will be able to fully and accurately measure any such synergies.

Continued periods of historically high fuel prices or significant disruptions in the supply of aircraft fuel could have a material adverse impact on the Company s operating results, financial position and liquidity.

Aircraft fuel has been the Company s single largest and most volatile operating expense for the last several years. The availability and price of aircraft fuel significantly affect the Company s operations, results of operations, financial position and liquidity. While the Company has been able to obtain adequate supplies of fuel under various supply contracts and also stores fuel close to major hub locations to ensure supply continuity in the short term, the Company cannot predict the continued future availability or price of aircraft fuel.

Continued volatility in fuel prices may negatively impact the Company s liquidity in the future. Aircraft fuel prices can fluctuate based on a multitude of factors including market expectations of supply and demand balance, inventory levels, geopolitical events, economic growth expectations, fiscal/monetary policies and financial investment flows. The Company may not be able to increase its fares or other fees if fuel prices rise in the future and any such fare or fee increases may not be sustainable in the highly competitive airline industry. In addition, any increases in fares or other fees may not sufficiently offset the full impact of such rises in fuel prices and may also reduce the general demand for air travel.

To protect against increases in the prices of aircraft fuel, the Company routinely hedges a portion of its future fuel requirements. However, the Company s hedging program may not be successful in controlling fuel costs, and price protection provided may be limited due to market conditions and other factors. To the extent that the Company uses hedge contracts that have the potential to create an obligation to pay upon settlement if prices decline significantly, including swaps or sold put options as part of a collar, such hedge contracts may limit the Company s ability to benefit from lower fuel costs in the future. If fuel prices decline significantly from the levels existing at the time we enter into a hedge contract, we may be required to post collateral (margin) with our hedge counterparties beyond certain thresholds. Also, lower fuel prices may result in increased industry capacity and lower fares in general. There can be no assurance that the Company s hedging arrangements will provide any particular level of protection against rises in fuel prices or that its counterparties will be able to perform under the Company s hedging arrangements. Additionally, deterioration in the Company s financial condition could negatively affect its ability to enter into new hedge contracts in the future and may potentially require the Company to post increased amounts of collateral under its fuel hedging agreements.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and regulations promulgated by the Commodity Futures Trading Commission (the CFTC) introduce new requirements for centralized clearing for over-the-counter derivatives. This may include the Company s fuel hedge contracts. The UAL Board of Directors has approved the Company s election of the CFTC s end-user exception, which permits the Company as a non-financial end user of derivatives to hedge commercial risk and be exempt from the CFTC mandatory clearing requirements. However, depending on the final regulations adopted by the CFTC and other regulators, several of the Company s hedge counterparties may be subject to requirements which may raise their costs. Those increased costs may in turn be passed on to the Company, resulting in increased transaction costs to execute hedge contracts and lower credit thresholds to post collateral (margin).

See Note 13 to the financial statements included in Exhibit 99.3 to the Company s Current Report on Form 8-K filed with the SEC on April 25, 2013 and Note 7 to the financial statements included in the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 for additional information on the Company s hedging programs.

Economic and industry conditions constantly change and unfavorable global economic conditions may have a material adverse effect on the Company s business and results of operations.

The Company s business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. Robust demand for our air transportation services depends largely on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit.

Air transportation is often a discretionary purchase that leisure travelers may limit or eliminate during difficult economic times. In addition, during periods of unfavorable economic conditions, business travelers usually reduce the volume of their travel, either due to cost-saving initiatives or as a result of decreased business activity requiring travel. During such periods, the Company s business and results of operations may be adversely affected due to significant declines in industry passenger demand, particularly with respect to the Company s business and premium cabin travelers, and a reduction in fare levels.

Stagnant or worsening global economic conditions either in the United States or in other geographic regions, and any future volatility in U.S. and global financial and credit markets may have a material adverse effect on the

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Company s revenues, results of operations and liquidity. If such economic conditions were to disrupt capital markets in the future, the Company may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt and to satisfy future capital commitments.

The Company is subject to economic and political instability and other risks of doing business globally.

The Company is a global business with operations outside of the United States from which it derives approximately 40% of its operating revenues, as measured and reported to the U.S. Department of Transportation (the DOT). The Company s operations in Asia, Europe, Latin America, Africa and the Middle East are a vital part of its worldwide airline network. Volatile economic, political and market conditions in these international regions may have a negative impact on the Company s operating results and its ability to achieve its business objectives. In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies, and the imposition of exchange controls or other currency restrictions, may have a material adverse impact upon the Company s liquidity, revenues, costs and operating results.

The Company may not be able to maintain adequate liquidity.

The Company has a significant amount of financial leverage from fixed obligations, including aircraft lease and debt financings, leases of airport property and other facilities, and other material cash obligations. In addition, the Company has substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines.

Although the Company s cash flows from operations and its available capital, including the proceeds from financing transactions, have been sufficient to meet these obligations and commitments to date, the Company s future liquidity could be negatively impacted by the risk factors discussed in this prospectus supplement under the heading Risk Factors, or in the Company s Annual Report on Form 10-K for the year ended December 31, 2012 or the Company s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013 including, but not limited to, substantial volatility in the price of fuel, adverse economic conditions, disruptions in the global capital markets and catastrophic external events.

If the Company s liquidity is constrained due to the various risk factors discussed in this prospectus supplement under the heading Risk Factors or in the Company s Annual Report on Form 10-K for the year ended December 31, 2012 or the Company s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013 or otherwise, the Company s failure to comply with certain financial covenants under its financing and credit card processing agreements, timely pay its debts, or comply with other material provisions of its contractual obligations could result in a variety of adverse consequences, including the acceleration of the Company s indebtedness, increase of required reserves under credit card processing agreements, the withholding of credit card sale proceeds by its credit card service providers and the exercise of other remedies by its creditors and equipment lessors that could result in a material adverse effect on the Company s financial position and results of operations. Furthermore, constrained liquidity may limit the Company s ability to withstand competitive pressures and limit its flexibility in responding to changing business and economic conditions, including increased competition and demand for new services, placing the Company at a disadvantage when compared to its competitors that have less debt, and making the Company more vulnerable than its competitors who have less debt to a downturn in the business, industry or the economy in general.

The Company s substantial level of indebtedness and non-investment grade credit rating, as well as market conditions and the availability of assets as collateral for loans or other indebtedness, may make it difficult for the Company to raise additional capital to meet its liquidity needs on acceptable terms, or at all.

See Management s Discussion and Analysis of Financial Condition and Results of Operations, included in Exhibit 99.2 to the Company s Current Report on Form 8-K filed with the SEC on April 25, 2013 and in the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, for further information regarding the Company s liquidity.

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Certain of the Company s financing agreements have covenants that impose operating and financial restrictions on the Company and its subsidiaries.

Certain of the Company s credit facilities and indentures impose certain operating and financial covenants on the Company or on United and its subsidiaries. Such covenants require the Company or United, as applicable, to maintain, depending on the particular agreement, minimum liquidity and/or minimum collateral coverage ratios. A decline in the value of collateral could result in a situation where the Company or United, as applicable, may not be able to maintain the required collateral coverage ratio. In addition, the credit facilities and indentures contain other negative covenants customary for such financings.

The Company s ability to comply with these covenants may be affected by events beyond its control, including the overall industry revenue environment and the level of fuel costs, and the Company may be required to seek waivers or amendments of covenants, repay all or a portion of the debt or find alternative sources of financing. The Company cannot provide assurance that such waivers, amendments or alternative financing could be obtained or, if obtained, would be on terms acceptable to the Company. If the Company fails to comply with these covenants and is unable to obtain a waiver or amendment, an event of default would result which would allow the lenders, among other things, to declare outstanding amounts due and payable. The Company cannot provide assurance that it would have sufficient liquidity to repay or refinance such amounts if they were to become due. In addition, an event of default or declaration of acceleration under any of the credit facilities or indentures could also result in an event of default under certain of the Company s other financing agreements due to cross-default and cross-acceleration provisions.

Extensive government regulation could increase the Company s operating costs and restrict its ability to conduct its business.

Airlines are subject to extensive regulatory and legal oversight. Compliance with U.S. and international regulations imposes significant costs and may have adverse effects on the Company. Laws, regulations, taxes and airport rates and charges, both domestically and internationally, have been proposed from time to time that could significantly increase the cost of airline operations or reduce airline revenue. The Company cannot provide any assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect its financial condition or results of operations.

United provides air transportation under certificates of public convenience and necessity issued by the DOT. If the DOT altered, amended, modified, suspended or revoked these certificates, it could have a material adverse effect on the Company s business. The DOT is also responsible for promulgating consumer protection and other regulations that may impose significant compliance costs on the Company. The Federal Aviation Administration (FAA) regulates the safety of United s operations. United operates pursuant to an air carrier operating certificate issued by the FAA. From time to time, the FAA also issues orders, airworthiness directives and other regulations relating to the maintenance and operation of aircraft that require material expenditures or operational restrictions by the Company. These FAA orders and directives could include the temporary grounding of an entire aircraft type if the FAA identifies design, manufacturing, maintenance or other issues requiring immediate corrective action. For example, in January 2013, the FAA announced a review of the Boeing 787 aircraft s critical systems and in-service issues and issued an emergency airworthiness directive that required U.S. Boeing 787 operators, including the Company, to temporarily cease operations of such aircraft. In April 2013, the FAA approved Boeing s design modifications to the Boeing 787 battery system and provided clearance to U.S. Boeing 787 operators to resume operations of the aircraft, subject to operators retrofitting the aircraft with modified battery systems. The Company resumed commercial flights of its Boeing 787 aircraft on May 20, 2013. FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, aircraft operation and safety and increased inspections and maintenance procedures to be conducted on older aircraft. These FAA directives or requirements could have a material adverse effect on the Company.

In addition, the Company s operations may be adversely impacted due to the existing antiquated air traffic control (ATC) system utilized by the U.S. government. During peak travel periods in certain markets, the current ATC system s inability to handle existing travel demand has led to short-term capacity constraints imposed by government agencies and resulted in delays and disruptions of air traffic. In addition, the current system will not be able to effectively handle projected future air traffic growth. Imposition of these ATC constraints on a long-term basis may have a material adverse effect on our results of operations. Failure to update the ATC system in a timely manner, and the substantial funding requirements of a modernized ATC system that may be imposed on air carriers may have an adverse impact on the Company s financial condition or results of operations.

The airline industry is subject to extensive federal, state and local taxes and fees that increase the cost of the Company s operations. In addition to taxes and fees that the Company is currently subject to, proposed taxes and fees are currently pending and if imposed, would increase the Company s operating expenses.

Access to landing and take-off rights, or slots, at several major U.S. airports and many foreign airports served by the Company are, or recently have been, subject to government regulation. Certain of the Company s major hubs are among increasingly congested airports in the United States and have been or could be the subject of regulatory action that might limit the number of flights and/or increase costs of operations at certain times or throughout the day. The FAA may limit the Company s airport access by limiting the number of departure and arrival slots at high density traffic airports, which could affect the Company s ownership and transfer rights, and local airport authorities may have the ability to control access to certain facilities or the cost of access to its facilities, which could have an adverse effect on the Company s business. The FAA historically has taken actions with respect to airlines slot holdings that airlines have challenged; if the FAA were to take actions that adversely affect the Company s slot holdings, the Company could incur substantial costs to preserve its slots. Further, the Company s operating costs at airports at which it operates, including the Company s major hubs, may increase significantly because of capital improvements at such airports that the Company may be required to fund, directly or indirectly. In some circumstances, such costs could be imposed by the relevant airport authority without the Company s approval and may have a material adverse effect on the Company s financial condition.

The ability of carriers to operate flights on international routes between airports in the U.S. and other countries may be subject to change. Applicable arrangements between the United States and foreign governments may be amended from time to time, government policies with respect to airport operations may be revised, and the availability of appropriate slots or facilities may change. The Company currently operates a number of flights on international routes under government arrangements, regulations or policies that designate the number of carriers permitted to operate on such routes, the capacity of the carriers providing services on such routes, the airports at which carriers may operate international flights, or the number of carriers allowed access to particular airports. Any further limitations, additions or modifications to such arrangements, regulations or policies could have a material adverse effect on the Company s financial position and results of operations. Additionally, a change in law, regulation or policy for any of the Company s international routes, such as open skies, could have a material adverse impact on the Company s financial position and results of operations and could result in the impairment of material amounts of related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures and other alliance arrangements by and among other airlines could impair the value of the Company s business and assets on the open skies routes. The Company s plans to enter into or expand U.S. antitrust immunized alliances and joint ventures on various international routes are subject to receipt of approvals from applicable U.S. federal authorities and obtaining other applicable foreign government clearances or satisfying the necessary applicable regulatory requirements. There can be no assurance that such approvals and clearances will be granted or will continue in effect upon further regulatory review or that changes in regulatory requirements or standards can be satisfied.

Many aspects of the Company s operations are also subject to increasingly stringent federal, state, local and international laws protecting the environment. Future environmental regulatory developments, such as climate change regulations in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. There are certain climate change laws and regulations that have already gone into effect and that apply to the Company, including the European Union Emissions Trading Scheme (which is subject to international dispute), the State of California s cap and trade regulations, environmental taxes for certain international flights, limited greenhouse gas reporting requirements and land-use planning laws which could apply to airports and could affect airlines in certain circumstances. In addition, there is the potential for additional regulatory actions in regard to the emission of greenhouse gases by the aviation industry. The precise nature of future requirements and their applicability to the Company are difficult to predict, but the financial impact to the Company and the aviation industry would likely be adverse and could be significant.

The Company s business and operations may also be impacted by the Budget Control Act of 2011 and related sequestration procedures of federal agencies. In April 2013, the FAA announced the implementation of furloughs of air traffic controllers through its capacity reduction plan, resulting in flight delays throughout the United States, including to the Company s flights, until the U.S. Congress passed a bill suspending such furloughs. There can be no assurance that future sequestration obligations under the Budget Control Act of 2011 by the FAA, the Transportation Security Administration, the U.S. Customs and Border Protection or other federal agencies will not occur in future periods, potentially resulting in a material adverse impact on the Company.

See Item 1, Business Industry Regulation, of the Company s Annual Report on Form 10-K for the year ended December 31, 2012 for further information on government regulation impacting the Company.

The Company relies heavily on technology and automated systems to operate its business and any significant failure or disruption of the technology or these systems could materially harm its business.

The Company depends on automated systems and technology to operate its business, including computerized airline reservation systems, flight operations systems, telecommunication systems and commercial websites, including www.united.com. United s website and other automated systems must be able to accommodate a high volume of traffic and deliver important flight and schedule information, as well as process critical financial transactions. These systems could suffer substantial or repeated disruptions due to events including natural disasters, power failures, terrorist attacks, equipment or software failures, computer viruses or cyber security attacks. Substantial or repeated website, reservation systems or telecommunication systems failures or disruptions, including failures or disruptions related to the Company s integration of technology systems, could reduce the attractiveness of the Company s services versus those of its competitors, materially impair its ability to market its services and operate its flights, result in the unauthorized release of confidential or otherwise protected information, and result in increased costs, lost revenue and the loss or compromise of important data.

The Company s business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in the Company s relationships with these providers or their provision of services to the Company, could have an adverse effect on the Company s financial position and results of operations.

The Company has engaged an increasing number of third-party service providers to perform a large number of functions that are integral to its business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, provision of aircraft maintenance and repairs, provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. The Company does not directly control these third-party service providers, although it does enter into agreements with many of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments to the Company or agreements with such providers may be terminated. For example, flight reservations booked by customers and/or travel agencies via third-party global distribution systems (GDS) may be adversely affected by disruptions in the business relationships between the Company and GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or

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otherwise become subject to renegotiation, may cause the carriers flight information to be limited or unavailable for display, significantly increase fees for both the Company and GDS users, and impair the Company s relationships with its customers and travel agencies. The failure of any of the Company s third-party service providers to adequately perform their service obligations, or other interruptions of services, may reduce the Company s revenues and increase its expenses or prevent the Company from operating its flights and providing other services to its customers. In addition, the Company s business and financial performance could be materially harmed if its customers believe that its services are unreliable or unsatisfactory.

UAL s obligations for funding United s defined benefit pension plans are affected by factors beyond UAL s control.

The Company maintains two primary defined benefit pension plans, one covering certain pilot employees and another covering certain U.S. non-pilot employees. The timing and amount of UAL s funding requirements under these plans depend upon a number of factors, including labor negotiations with the applicable employee groups and changes to pension plan benefits as well as factors outside of UAL s control, such as the number of applicable retiring employees, asset returns, interest rates and changes in pension laws. Changes to these and other factors that can significantly increase UAL s funding requirements, such as its liquidity requirements, could have a material adverse effect on UAL s financial condition.

Union disputes, employee strikes or slowdowns, and other labor-related disruptions, as well as the integration of United s workforces in connection with the Merger, present the potential for a delay in achieving expected Merger synergies, could adversely affect the Company s operations, and could result in increased costs that impair its financial performance.

United is a highly unionized company. As of September 30, 2013, United and its subsidiaries had approximately 88,000 active employees, of whom approximately 80% were represented by various U.S. labor organizations.

The successful integration of United s workforces in connection with the Merger and achievement of the anticipated benefits of the combined company depend in part on integrating employee groups and maintaining productive employee relations. In order to fully integrate the pre-Merger represented employee groups, the Company must negotiate a joint collective bargaining agreement covering each combined group. The process for integrating the labor groups is governed by a combination of the Railway Labor Act (the RLA), the McCaskill-Bond Amendment, and where applicable, the existing provisions of collective bargaining agreements and union policy. A delay in or failure to integrate employee groups presents the potential for delays in achieving expected Merger synergies, increased operating costs and labor disputes that could adversely affect our operations.

During third quarter 2013, the Company accepted an integrated seniority list for its pilots from the Air Line Pilots Association, International. On October 29, 2013, the Company announced that the fleet service, passenger service and storekeeper work groups at its United, Continental Micronesia, Inc. and MileagePlus subsidiaries ratified new joint labor agreements. We are currently in the process of negotiating joint collective bargaining agreements with our technicians, flight attendants and dispatchers.

The Company can provide no assurance that a successful or timely resolution of labor negotiations for all amendable collective bargaining agreements will be achieved. There is a risk that unions or individual employees might pursue judicial or arbitral claims arising out of changes implemented as a result of the Merger. There is also a possibility that employees or unions could engage in job actions such as slow-downs, work-to-rule campaigns, sick-outs or other actions designed to disrupt the Company s normal operations, in an attempt to pressure the Company in collective bargaining negotiations. Although the RLA makes such actions unlawful until the parties have been lawfully released to self-help, and the Company can seek injunctive relief against premature self-help, such actions can cause significant harm even if ultimately enjoined. In addition, achieving joint collective bargaining agreements, including an agreement with the Air Line Pilots Association, International, with our represented employee groups is likely to increase our labor costs, which increase could be material.

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The airline industry is highly competitive and susceptible to price discounting and changes in capacity, which could have a material adverse effect on the Company.

The U.S. airline industry is characterized by substantial price competition. In recent years, the market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of large network carriers to achieve sustained profitability on domestic and international routes.

Airlines also compete for market share by increasing or decreasing their capacity, including route systems and the number of markets served. Several of the Company s domestic and international competitors have increased their international capacity by including service to some destinations that the Company currently serves, causing overlap in destinations served and therefore increasing competition for those destinations. In addition, the Company and certain of its competitors have implemented significant capacity reductions in recent years in response to high and volatile fuel prices and stagnant global economic growth. Further, certain of the Company s competitors may not reduce capacity or may increase capacity, impacting the expected benefit to the Company from capacity reductions. This increased competition in both domestic and international markets may have a material adverse effect on the Company s results of operations, financial condition or liquidity.

The airline industry may undergo further bankruptcy restructuring, industry consolidation, or the creation or modification of alliances or joint ventures, any of which could have a material adverse effect on the Company.

The Company faces and may continue to face strong competition from other carriers due to bankruptcy restructuring, industry consolidation, and the creation and modification of alliances and joint ventures. A number of carriers have filed for bankruptcy protection in recent years and other domestic and international carriers could restructure in bankruptcy or threaten to do so in the future to reduce their costs. Most recently, AMR Corporation, the parent company of American Airlines, Inc., filed for bankruptcy protection in November 2011 and is currently undergoing a restructuring under Chapter 11 of the U.S. Bankruptcy Code. Carriers operating under bankruptcy protection can operate in a manner that could be adverse to the Company and could emerge from bankruptcy as more vigorous competitors.

Both the U.S. and international airline industries have experienced consolidation through a number of mergers and acquisitions. On February 14, 2013, US Airways announced an agreement to merge with AMR Corporation and its intent to exit Star Alliance as a result of such merger. The Company is also facing stronger competition from expanded airline alliances and joint ventures. Carriers may improve their competitive positions through airline alliances, slot swaps, and/or joint ventures. Certain airline joint ventures further competition by allowing airlines to coordinate routes, pool revenues and costs, and enjoy other mutual benefits, achieving many of the benefits of consolidation. Open skies agreements, including the agreements between the United States and the European Union and between the United States and Japan, may also give rise to additional consolidation or better integration opportunities among international carriers.

There is ongoing speculation that further airline consolidations or reorganizations could occur in the future. The Company routinely engages in analysis and discussions regarding its own strategic position, including alliances, asset acquisitions and divestitures, and may have future discussions with other airlines regarding strategic activities. If other airlines participate in such activities, those airlines may significantly improve their cost structures or revenue generation capabilities, thereby potentially making them stronger competitors of the Company and potentially impairing the Company s ability to realize expected benefits from its own strategic relationships.

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Increases in insurance costs or reductions in insurance coverage may materially and adversely impact the Company s results of operations and financial condition.

Following the terrorist attacks on September 11, 2001, the Company s insurance costs increased significantly and the availability of third-party war risk (terrorism) insurance decreased significantly. The Company has obtained third-party war risk (terrorism) insurance through a special program administered by the FAA. The FAA s statutory authority to provide war risk insurance to air carriers expires on January 15, 2014. An extension of such authority will require legislation by the U.S. Congress. Should the government discontinue this coverage, obtaining comparable coverage from commercial underwriters could result in substantially higher premiums and more restrictive terms. If the Company is unable to obtain adequate third-party war risk (terrorism) insurance, its business could be materially and adversely affected.

If any of the Company s aircraft were to be involved in an accident or if the Company s property or operations were to be affected by a significant natural catastrophe or other event, the Company could be exposed to significant liability or loss. If the Company is unable to obtain sufficient insurance (including aviation hull and liability insurance and property and business interruption coverage) to cover such liabilities or losses, whether due to insurance market conditions or otherwise, its results of operations and financial condition could be materially and adversely affected.

The Company could experience adverse publicity, harm to its brand, reduced travel demand and potential tort liability as a result of an accident, catastrophe, or incident involving its aircraft, the aircraft of its regional carriers or the aircraft of its codeshare partners, which may result in a material adverse effect on the Company s results of operations or financial position.

An accident, catastrophe, or incident involving an aircraft that the Company operates, or an aircraft that is operated by a codeshare partner or one of the Company s regional carriers, could have a material adverse effect on the Company if such accident, catastrophe, or incident created a public perception that the Company s operations, or the operations of its codeshare partners or regional carriers, are not safe or reliable, or less safe or reliable than other airlines. Such public perception could in turn result in adverse publicity for the Company, cause harm to the Company s brand and reduce travel demand on the Company s flights, or the flights of its codeshare partners or regional carriers.

In addition, any such accident, catastrophe, or incident could expose the Company to significant tort liability. Although the Company currently maintains liability insurance in amounts and of the type the Company believes to be consistent with industry practice to cover damages arising from any such accident or catastrophe, and the Company s codeshare partners and regional carriers carry similar insurance and generally indemnify the Company for their operations, if the Company s liability exceeds the applicable policy limits or the ability of another carrier to indemnify it, the Company could incur substantial losses from an accident, catastrophe or incident which may result in a material adverse effect on the Company s results of operations or financial position.

The Company s results of operations fluctuate due to seasonality and other factors associated with the airline industry.

Due to greater demand for air travel during the spring and summer months, revenues in the airline industry in the second and third quarters of the year are generally stronger than revenues in the first and fourth quarters of the year, which are periods of lower travel demand. The Company s results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal including, among others, the imposition of excise and similar taxes, extreme or severe weather, air traffic control congestion, geological events, natural disasters, changes in the competitive environment due to industry consolidation, general economic conditions and other factors. As a result, the Company s quarterly operating results are not necessarily indicative of operating results for an entire year and historical operating results in a quarterly or annual period are not necessarily indicative of future operating results.

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Terrorist attacks or international hostilities, or the fear of terrorist attacks or hostilities, even if not made directly on the airline industry, could negatively affect the Company and the airline industry.

The terrorist attacks on September 11, 2001 involving commercial aircraft severely and adversely impacted the Company s financial condition and results of operations, as well as the prospects for the airline industry. Among the effects experienced from the September 11, 2001 terrorist attacks were substantial flight disruption costs caused by the FAA-imposed temporary grounding of the U.S. airline industry s fleet, significantly increased security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and passenger revenue.

Additional terrorist attacks, even if not made directly on the airline industry, or the fear of or the precautions taken in anticipation of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights) could materially and adversely affect the Company and the airline industry. Wars and other international hostilities could also have a material adverse impact on the Company s financial condition, liquidity and results of operations. The Company s financial resources may not be sufficient to absorb the adverse effects of any future terrorist attacks or other international hostilities.

An outbreak of a disease or similar public health threat could have a material adverse impact on the Company s business, financial position and results of operations.

An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the Company s business, financial condition and results of operations.

The Company may never realize the full value of its intangible assets or its long-lived assets causing it to record impairments that may negatively affect its financial position and results of operations.

In accordance with applicable accounting standards, the Company is required to test its indefinite-lived intangible assets for impairment on an annual basis on October 1 of each year, or more frequently if conditions indicate that an impairment may have occurred. In addition, the Company is required to test certain of its other assets for impairment if conditions indicate that an impairment may have occurred.

The Company may be required to recognize impairments in the future due to, among other factors, extreme fuel price volatility, tight credit markets, a decline in the fair value of certain tangible or intangible assets, unfavorable trends in historical or forecasted results of operations and cash flows and an uncertain economic environment, as well as other uncertainties. The Company can provide no assurance that a material impairment charge of tangible or intangible assets will not occur in a future period. The value of our aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by the Company or other carriers. An impairment charge could have a material adverse effect on the Company s financial position and results of operations.

The Company s ability to use its net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be significantly limited due to various circumstances, including certain possible future transactions involving the sale or issuance of UAL common stock, or if taxable income does not reach sufficient levels.

As of December 31, 2012, UAL reported consolidated federal net operating loss (NOL) carryforwards of approximately $10 billion.

The Company s ability to use its NOL carryforwards may be limited if it experiences an ownership change as defined in Section 382 (Section 382) of the Internal Revenue Code of 1986, as amended (the Code). An ownership change generally occurs if certain stockholders increase their aggregate percentage ownership of a corporation s stock by more than 50 percentage points over their lowest percentage ownership at any time during the testing period, which is generally the three-year period preceding any potential ownership change.

There is no assurance that the Company will not experience a future ownership change under Section 382 that may significantly limit or possibly eliminate its ability to use its NOL carryforwards. Potential future transactions involving the sale or issuance of UAL common stock, including the exercise of conversion options under the terms of the Company s convertible debt, repurchase of such debt with UAL common stock, issuance of UAL common stock for cash and the acquisition or disposition of such stock by a stockholder owning 5% or more of UAL common stock, or a combination of such transactions, may increase the possibility that the Company will experience a future ownership change under Section 382.

Under Section 382, a future ownership change would subject the Company to additional annual limitations that apply to the amount of pre-ownership change NOLs that may be used to offset post-ownership change taxable income. This limitation is generally determined by multiplying the value of a corporation s stock immediately before the ownership change by the applicable long-term tax-exempt rate. Any unused annual limitation may, subject to certain limits, be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains in the assets held by such corporation at the time of the ownership change. This limitation could cause the Company s U.S. federal income taxes to be greater, or to be paid earlier, than they otherwise would be, and could cause all or a portion of the Company s NOL carryforwards to expire unused. Similar rules and limitations may apply for state income tax purposes. The Company s ability to use its NOL carryforwards will also depend on the amount of taxable income it generates in future periods. Its NOL carryforwards may expire before the Company can generate sufficient taxable income to use them in full.

Risks Related to the Notes

The notes and the note guarantee are unsecured and effectively subordinated to UAL s and the Guarantor s secured debt and structurally subordinated to all obligations of UAL s subsidiaries other than the Guarantor.

The notes represent UAL s senior unsecured obligations, and the note guarantee represents the senior unsecured obligation of the Guarantor. The notes and the note guarantee rank equally in right of payment with all of UAL s and the Guarantor s existing and future unsecured and unsubordinated debt. However, the notes and the note guarantee are effectively subordinated to all of UAL s and the Guarantor s existing and future secured debt to the extent of the collateral securing such debt and structurally subordinated to all existing and future obligations of UAL s subsidiaries other than the Guarantor. As of September 30, 2013, assuming that the notes had been issued on such date, UAL would have had approximately $1.7 billion of long-term debt (including current maturities), none of which was secured, and UAL and its subsidiaries would have had approximately $12.4 billion of long-term debt and capital lease obligations (including current maturities), of which approximately $10.1 billion was secured, and in addition, as of such date and as of the date hereof, United had available and undrawn $1.0 billion under a secured revolving credit facility. In addition, as of September 30, 2013, the Guarantor had entered into guarantees for approximately $1.9 billion aggregate principal amount of tax-exempt special facilities revenue bonds and related interest.

In the event of any distribution of UAL s or the Guarantor s assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy