UAL CORP /DE/
Form 11-K
June 25, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission file number: 001-06033

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

United Airlines Ground Employee 401(k) Plan

Benefits Administration OPCHR

United Air Lines, Inc.

P.O. Box 66100

Chicago, IL 60666

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

UAL Corporation

77 W. Wacker Drive

Chicago, Illinois 60601

(312) 997-8000

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UNITED AIRLINES GROUND EMPLOYEE 401(k) PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Participants of the

United Airlines Ground Employee 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of the United Airlines Ground Employee 401(k) Plan (the Plan) as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Chicago, Illinois
June 25, 2010

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UNITED AIRLINES GROUND EMPLOYEE 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2009 AND 2008

(In thousands)

	2009	2008
ASSETS:		
Plan interest in Master Trust, at fair value	$ 1,389,196	$ 1,170,855
Total assets	1,389,196	1,170,855
LIABILITIES:		
Accrued expenses	(54)	(67)
Total liabilities	(54)	(67)
Net assets available for benefits, at fair value	1,389,142	1,170,788
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(2,695)	5,652
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,386,447	$ 1,176,440

See notes to financial statements.

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UNITED AIRLINES GROUND EMPLOYEE 401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands)

ADDITIONS:	
Participant contributions	$ 44,878
Employer contributions	16,572
Rollover contributions	387
	61,837
Plan interest in United Air Lines, Inc. 401(k) Plan Master Trust investment income:	
Net appreciation in value of investments	208,135
Interest	13,170
Dividends	11,912
Net transfers from other affiliated plans	1,109
Total additions	296,163
DEDUCTIONS:	
Benefits paid to participants	(85,599)
Administrative expenses	(557)
Total deductions	(86,156)
INCREASE IN NET ASSETS	210,007
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	1,176,440
End of year	$ 1,386,447

See notes to financial statements.

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UNITED AIRLINES GROUND EMPLOYEE 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2009 AND 2008, AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION OF PLAN

The following description of the United Airlines Ground Employee 401(k) Plan (the Plan) is for general information purposes only. Participants should refer to the Plan document for more complete information.

General and Plan Participants The Plan is a defined contribution plan covering all employees of United Air Lines, Inc. (United) who are represented by the International Brotherhood of Teamsters (Teamsters) and the International Association of Machinists and Aerospace Workers (IAM) except Mileage Plus, Inc. employees and Maintenance Instructors who participate in the Management and Administrative Plan. Employees are eligible to become participants on their date of hire. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Trustee and Record Keeper Fidelity Management Trust Company (Fidelity or Trustee) is the Plan trustee and Fidelity Investments Institutional Operations Company, Inc. (FIIOC) is the transfer agent and recordkeeper of the Plan.

Contributions There are several types of contributions that may be made to the Plan on participants behalf:

Employee contributions: Eligible employees may elect to make voluntary pretax contributions in any whole percentage from 1% to 30% of eligible earnings. Eligible employees may also make a supplemental election to contribute additional pretax contributions of 1% to 90% of their net pretax pay. Section 402(g) of the Internal Revenue Code limits the amount of pretax 401(k) contributions to a maximum of $16,500 in 2009. Lower limits may apply to certain highly compensated participants if the Plan does not pass certain nondiscrimination tests required by law. Section 415(c) of the Internal Revenue Code limits the total amount of contributions from all qualified defined contribution retirement plans to the lesser of 100% of annual compensation or $49,000.

Employer Contributions: For employees represented by the International Brotherhood of Teamsters, the employer contribution to the Plan equals 4% of each eligible participant s eligible earnings. In addition, United may make an additional contribution of up to 3.4% of eligible earnings for participants who were employed on May 15, 2005 (or who were on furlough on that date, but have subsequently returned to active status) according to a schedule based on the sum of the employee s age and credited service. In the event the total amount of the United s regular and additional contributions is less than 5% of all participants eligible earnings for the Plan year, United will make a supplemental employer contribution in the amount necessary to cause total employer contributions to equal 5% of all eligible participants earnings for the Plan year. The participant is not required to contribute to the Plan to receive this direct employer contribution. United does not make contributions on behalf of employees represented by the IAM to the Plan.

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Voluntary pretax catch-up contributions: Participants age 50 or older, at any time during the Plan year, can make additional pretax catch-up contributions to the Plan. This catch-up contribution is available only to the extent the participant has contributed the maximum amount of 401(k) contributions permitted under the Plan and the participant has not exceeded the annual catch-up contribution limit. For calendar year 2009, the maximum catch-up amount is $5,500.

Rollover contributions: Participants may elect to roll over money into the Plan from certain other qualified employer plans or qualified Individual Retirement Account (IRA). The Plan will not accept a rollover of after-tax contributions. For the year ended December 31, 2009, $387,176 was transferred from other qualified plans as rollovers under the Internal Revenue Code Sections 402(c) and 408(d).

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with contributions and Plan earnings, and charged with withdrawals, an allocation of Plan losses and administrative expenses. Allocations are based on account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Investments Participants elect to invest in one or a combination of the investment funds offered by the Plan. Additionally, they may subsequently change their contribution rate, redesignate the allocation of contributions, or transfer existing balances among investment funds, subject to the limits set forth in the Plan. Investment options offered by the Plan during the year were:

Fidelity Magellan Fund

Fidelity Equity-Income Fund

Fidelity Growth Company Fund

Fidelity Government Income Fund

Fidelity OTC Portfolio

Fidelity Overseas Fund

Fidelity Balanced Fund

Fidelity Asset Manager 50%

Fidelity Asset Manager: Growth 70%

Fidelity Asset Manager: Income 20%

Fidelity Retirement Money Market Portfolio

Fidelity U.S. Bond Index Fund

Fidelity U.S. Equity Index Commingled Pool Class 2

Fidelity Spartan International Index Fund

Blended Income Fund

Stated Return Fund (closed to new investments in 1992)

Vanguard Target Retirement Income

Vanguard Target Retirement 2005

Vanguard Target Retirement 2015

Vanguard Target Retirement 2025

Vanguard Target Retirement 2035

Vanguard Target Retirement 2045

Individual Brokerage Account (Fidelity BrokerageLink)

UAL Stock Fund

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Vesting Participants are vested immediately in their pretax contributions, catch-up contributions, rollover contributions, and their related earnings thereon. All employees employed as of May 15, 2005, are 100% vested in United s regular, additional and supplemental contributions and related earnings. For employees hired after May 15, 2005, a five-year vesting schedule was implemented beginning with 20% vested after the first year of service and increasing in 20% increments thereafter. Employees will be 100% vested in employer contributions upon death or attainment of age 65 while employed by United or an affiliate.

Forfeitures Upon termination of employment, participants will forfeit the nonvested portion of their account balance and such balance will be held in a separate subaccount until the participant incurs a break in service of five full years, at which time the subaccount balance will be forfeited. If the Participant resumes employment with United or an Affiliate prior to incurring a break in service of five full years, such subaccount will be disregarded and the balance will be included in the participant s account. Forfeitures occurring in a plan year will first be applied to restore the accounts of participants and any remaining forfeitures will be used to reduce the employer s contributions for the plan year in which the forfeiture occurs. Forfeited nonvested accounts totaled $0 and $49 at December 31, 2009 and 2008, respectively. For the year ended December 31, 2009, forfeitures of $25,343 were applied to reduce United s employer contributions under the Plan.

Participant Loans Active employees who are receiving regular pay from United may borrow from their Plan accounts. A loan may not exceed $50,000 minus their highest outstanding loan balance over the last 12 months or one-half of their total vested Plan account balance, whichever is less. The minimum that may be borrowed is $1,000. Loans are funded from the participant s account by a pro rata transfer from each investment fund in which the account is invested. Amounts invested in the UAL Stock Fund or Fidelity BrokerageLink must be transferred to another investment fund to be available to fund a loan. The loan is repaid through payroll deductions on an after-tax basis for the term of the loan (a maximum of 60 months) and is subject to an annual interest rate at one percent above the prime rate listed in the Wall Street Journal on the business day preceding the effective date of the participant request (interest rates ranged from 4.25% to 10% at December 31, 2009). If the participant takes out a loan for the purchase of the participant s primary residence, the maximum term of the loan is 15 years. The amount repaid is reinvested in the participant s account based on the investment allocations at the time of repayment. Participants may have up to two loans outstanding at one time. Upon the employee s termination of employment, a loan not paid in full within 60 days becomes a taxable distribution. Loans not paid on the last day of the calendar quarter following the calendar quarter in which the loan installment payment was due will be in default and the outstanding balance of the defaulted loan plus accrued interest will be considered a taxable distribution. An initial fee of $35 is deducted from loan proceeds. In addition a quarterly maintenance fee of $2.50 is deducted from the participant s account.

Payment of Benefits Withdrawals from the Plan may be made as follows, as applicable to the participant s eligibility, amount requested, and existing balances:

Participants who have separated from service (for reasons other than death) may elect payment in the form of a lump-sum, equal periodic installments, or in the form of an immediate fixed or variable annuity. All or a portion of the amount of the distribution may be deferred from the participants current taxable income by a direct roll over into an IRA, qualified plan, an annuity contract or annuity plan under Section 403, and certain governmental plans under Section 457. Participants with account balances exceeding $1,000 may elect to defer receipt of their benefits until minimum distributions are required to start no later than April 1st of the year following the year in which they reach age 70- 1/2.

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Distributions of accounts due to the death of a participant may be taken by the participant s beneficiary in the form of a lump-sum payment or through the purchase of an annuity, subject to the limitations of the Internal Revenue Code 401(a)(9).

In-service withdrawals for participants who are actively employed or are absent due to reasons of illness, or approved leave of absence that maintain an employer-employee relationship with United are permitted as follows:

Hardship withdrawals, subject to restrictions described in the plan agreements.

After reaching age 59-1/2, pretax contributions, including catch-up contributions, rollover contributions, and the special employer contributions of proceeds of Convertible Notes and UAL stock (as adjusted for earnings) may be withdrawn at any time.

Active participants that have reached age 70-1/2 may choose to defer distribution until termination of employment.

Generally, withdrawals are allocated pro rata to the balances of each of the investment funds in the participant s account.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments, including mutual funds and investment contracts. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

New Accounting Pronouncements In 2009, the FASB issued additional guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not considered orderly. In addition, the FASB provided guidance on measuring the fair value of certain investments in entities that calculate net asset value per share. The FASB also issued guidance requiring disclosure of changes in valuation techniques, if any, and required expanded disclosure for certain types of investments. The new guidance also requires disclosure of information such as investment objectives and redemption requirements for certain investments in entities that calculate net asset value per share. The Plan s disclosures for the 2009 period reflect the prospective adoption of this guidance.

In August 2009, the FASB issued guidance addressing the measurement of liabilities when a quoted price in an active market for an identical liability is not available and clarifies that a reporting entity should not make an adjustment to fair value for a restriction that prevents the transfer of the liability. The additional guidance will be effective for financial statements issued for the first reporting period beginning after issuance of the guidance. The Plan has not determined the impact of adoption of this guidance on its financial statements.

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In January 2010, the FASB released accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires disclosures about transfers into and out of Levels 1 and 2 of the fair value hierarchy, and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies the existing fair value disclosures regarding valuation techniques, inputs used in those valuation models and at what level of detail fair value disclosures should be provided. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Plan has not determined the impact of adoption of this guidance on its financial statements.

Investment Valuation and Income Recognition The Plan s investments are held in the United Air Lines, Inc. 401(k) Plans Master Trust (the Trust), which was established for the investment of assets of the Plan and several other plans sponsored by United and administered by the Trustee. The investments of the Trust are reported at fair value (See Note 9 Fair Value Measurements). The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net Appreciation in Value of Investments Net appreciation in value of investments includes realized and unrealized gains and losses. Realized and unrealized gains and losses are calculated as the difference between fair value at January 1, or date of purchase if subsequent to January 1, and fair value at date of sale or the current year-end.

Administrative Expenses Administrative expenses, which are paid by the Plan, represent administrative and investment manager fees charged by Fidelity, accountant and audit fees, and recordkeeping fees charged by FIIOC. Brokerage and other investment fees are included as a reduction of the investment return for such investments. United performs certain reporting and supervisory functions for the Plan without charge.

Payment of Benefits Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of persons who had elected to withdraw from the Plan but have not yet been paid at December 31, 2009 and 2008.

Transfers Between Plans Transfers between plans reflect the change in employee coverage and transfer of any related balances between this Plan and other defined contribution plans sponsored by United, including the United Airlines Management and Administrative Employee 401(k) Plan and the United Airlines Flight Attendant 401(k) Plan.

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3. INVESTMENT IN MASTER TRUST

Assets of the Plan are commingled with the assets of the other participating United plans consisting of the Management and Administrative 401(k) Plan, and the Flight Attendant 401(k) Plan. Although assets of the plans are commingled in the Trust, the Trustee maintains separate records for each of the plans. Assets of the Trust are reported at fair value and are allocated to the following plans at December 31, 2009 and 2008, as follows (in thousands):

	December 31, 2009		December 31, 2008	
	Amount	Percent	Amount	Percent
Ground Employee 401(k) Plan	$ 1,389,196	38.61%	$ 1,170,855	39.42%
Management and Administrative 401(k) Plan	935,219	26.00	762,126	25.66
Flight Attendant 401(k) Plan	1,272,841	35.39	1,036,925	34.92
Total	$ 3,597,256	100.00%	$ 2,969,906	100.00%

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Investments of the Trust as of December 31, 2009 and 2008 are as follows (in thousands):

	2009		2008	
Fidelity Mutual Funds:				
Magellan Fund	$ 175,284		$ 120,602	
Equity-Income Fund	115,424		89,263	
Growth Company Fund	517,514	*	370,090	*
Government Income Fund	85,546		96,507	
OTC Portfolio	160,821		89,153	
Overseas Fund	210,309	*	165,407	*
Balanced Fund	262,269	*	216,719	*
Asset Manager 50%	30,872		22,376	
Asset Manager: Growth 70%	43,919		32,124	
Asset Manager: Income 20%	18,338		14,698	
Spartan International Index Fund	60,331		44,235	
Retirement Money Market Portfolio	153,248		173,922	*
U.S. Bond Index Fund	66,932		59,498	
U.S. Equity Index Commingled Pool Class 2	241,508	*	198,470	*
Other Receivables	1,609		376	
BrokerageLink	72,417		47,282	
Stated Return Fund	84,844		81,147	
Blended Income Fund	601,278	*	600,345	*
UAL Stock Fund	125,845		102,873	
Vanguard Target Retirement Income	7,516		6,139	
Vanguard Target Retirement 2005	22,875		19,807	
Vanguard Target Retirement 2015	155,843		117,901	
Vanguard Target Retirement 2025	157,141		105,481	
Vanguard Target Retirement 2035	77,340		50,530	
Vanguard Target Retirement 2045	26,344		17,538	
Participant Loan Fund	121,889		127,423	
Total investments, at fair value	$ 3,597,256		$ 2,969,906	
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(5,467)		18,717	
Total investments	$ 3,591,789		$ 2,988,623	

* Represents an investment greater than 5% of Trust net assets.

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The Trust s investment gain (loss) for the year ended December 31, 2009, is as follows (in thousands):

Fidelity Mutual Funds:	
Magellan Fund	$ 48,907
Equity-Income Fund	23,885
Growth Company Fund	149,259
Government Income Fund	(4,748)
OTC Portfolio	57,030