CONTINENTAL AIRLINES INC /DE/
Form DEF 14A
April 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

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

Continental Airlines, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
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(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 23, 2010

To Our Stockholders:

On behalf of our Board of Directors, I am pleased to invite you to attend the Continental Airlines, Inc. 2010 Annual Meeting of Stockholders. As indicated in the attached notice, the meeting will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Wednesday, June 9, 2010, at 10:00 a.m., local time. At the meeting, our stockholders will act on the matters described in the attached proxy statement and there will be an opportunity to discuss other matters of interest to you as a stockholder.

We have elected to take advantage of U.S. Securities and Exchange Commission rules that allow companies to furnish proxy materials to their stockholders on the internet. We believe that these rules allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our annual meeting.

Your vote is important. Even if you plan to attend the meeting in person, please authorize your proxy or direct your vote by following the instructions on each of your voting options described in the attached proxy statement and the notice of internet availability you received in the mail. Alternatively, if you received printed proxy materials, you may vote your shares by internet, telephone or mail pursuant to the instructions included on the proxy card or voting instruction card. I look forward to seeing you in Houston.

Cordially,

Jeff Smisek
Chairman, President and
Chief Executive Officer

CONTINENTAL AIRLINES, INC.
1600 Smith Street, Dept. HQSEO
Houston, Texas 77002

NOTICE OF 2010 ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 9, 2010

The 2010 annual meeting of stockholders of Continental Airlines, Inc. will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Wednesday, June 9, 2010, at 10:00 a.m., local time, for the following purposes:

1. To elect the nine directors named in the attached proxy statement to serve until the next annual meeting of stockholders;

2. To consider and act upon a proposal to approve the Continental Airlines, Inc. Incentive Plan 2010;

3. To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the company and its subsidiaries for the fiscal year ending December 31, 2010;

4. To consider and act upon a stockholder proposal, if properly presented at the meeting; and

5. To consider and act upon any other matters that may properly come before the meeting or any postponement or adjournment thereof.

The holders of record of the company s common stock at the close of business on April 15, 2010 are entitled to notice of and to vote at the meeting. A list of the stockholders entitled to vote at the meeting will be available for examination, during ordinary business hours, for ten days before the meeting at our principal place of business, 1600 Smith Street, Houston, Texas.

Jennifer L. Vogel
Secretary

Houston, Texas
April 23, 2010

Even if you plan to attend the meeting in person, please authorize your proxy or direct your vote by following the instructions on each of your voting options described in the attached proxy statement and the notice of internet availability you received in the mail. Alternatively, if you received printed proxy materials, you may vote your shares by internet, telephone or mail pursuant to the instructions included on the proxy card or voting instruction card. If you mail the proxy or voting instruction card, no postage is required if mailed in the United States. If you do attend the meeting in person and want to withdraw your proxy, you may do so as described in the attached proxy statement and vote in person on all matters properly brought before the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL STOCKHOLDERS MEETING TO BE HELD ON JUNE 9, 2010. The company s notice of annual meeting and proxy statement and annual report to stockholders are available on the internet at ***www.proxyvote.com.***

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CONTINENTAL AIRLINES, INC.
1600 Smith Street, Dept. HQSEO
Houston, Texas 77002

PROXY STATEMENT

2010 ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 9, 2010

THE MEETING

Purpose, Place, Date and Time

We are providing this proxy statement to you in connection with the solicitation on behalf of Continental s board of directors, which we refer to as the board, of proxies to be voted at the company s 2010 annual meeting of stockholders or any postponement or adjournment of that meeting. The meeting will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Wednesday, June 9, 2010, at 10:00 a.m., local time, for the purposes set forth in the accompanying Notice of 2010 Annual Meeting of Stockholders, which we refer to as the Meeting Notice.

Internet Availability of Proxy Materials

We have elected to take advantage of the Notice and Access rules adopted by the U.S. Securities and Exchange Commission (the SEC), which allow public companies to deliver to their stockholders a Notice of Internet Availability of Proxy Materials and to provide internet access to the proxy materials and annual reports to security holders. Accordingly, most of our stockholders will receive a Notice of Internet Availability of Proxy Materials, which we refer to as the Notice of Internet Availability. The Notice of Internet Availability will include instructions on accessing and reviewing our proxy materials and our annual report to stockholders on the internet, and will provide instructions on submitting a proxy on the internet.

We expect to begin furnishing our proxy materials to stockholders on April 28, 2010, at which time we will also first make available on the internet at *www.proxyvote.com* our Meeting Notice, our proxy statement and our annual report to stockholders. Any stockholder receiving a Notice of Internet Availability may also request a printed copy of these materials by any of the following methods:

internet at *www.proxyvote.com*;

e-mail at sendmaterial@proxyvote.com; or

telephone at 1-800-579-1639.

Pursuant to the SEC s rules, our annual report to stockholders, which includes our audited consolidated financial statements for 2009, is not considered a part of, or incorporated by reference in, the proxy solicitation materials.

Record Date; Stockholders Entitled to Vote

Stockholders with shares registered in their names with Mellon Investor Services LLC, Continental s transfer agent and registrar, are referred to as stockholders of record. Stockholders of record at the close of business on April 15, 2010, the record date, are entitled to notice of and to vote at the meeting and at any postponement or adjournment of the meeting. Stockholders with shares held in an account at a broker, bank, trust or other nominee are considered the beneficial owner of shares held in street name, and are entitled to direct their brokers, banks, trustees or other nominees on how to vote their shares.

At the close of business on the record date, Continental had outstanding 139,412,110 shares of Class B common stock, which we refer to as common stock. Subject to certain limitations on voting by non-U.S. citizens as described below, each share of our common stock is entitled to one vote.

Restrictions on Voting by Non-U.S. Citizens

Under U.S. law, no more than 25% of the voting stock of a U.S. air carrier such as Continental may be owned or controlled, directly or indirectly, by persons who are not U.S. citizens, and Continental itself must be a U.S. citizen. For these purposes, a U.S. citizen means:

- an individual who is a citizen of the United States;
- a partnership, each of whose partners is an individual who is a citizen of the United States; or
- a corporation or association organized under the laws of the United States or a state, the District of Columbia, or a territory or possession of the United States, of which the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States, which is under the actual control of citizens of the United States, and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States.

The U.S. Department of Transportation determines, on a case-by-case basis, whether an air carrier is effectively owned and controlled by citizens of the United States.

In order to comply with these rules, our Amended and Restated Certificate of Incorporation provides that persons who are not U.S. citizens may not vote shares of our capital stock unless the shares are registered on a separate stock record maintained by us. A foreign holder wishing to register on this separate stock record should call us at (713) 324-5152 or send us a written request for registration identifying the full name and address of the holder, the holder s citizenship, the total number of shares held and the nature of such ownership (*i.e.*, record or beneficial). Such written requests should be addressed to our Secretary at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. We will not register shares on this record if the amount registered would cause us to violate the foreign ownership rules or adversely affect our operating certificates or authorities. Registration on this record is made in chronological order based on the date we receive a written request for registration. As of the record date, shares registered on this record comprised less than 25% of our voting stock.

Quorum

A quorum of stockholders is necessary for a valid meeting. The required quorum for the transaction of business at the meeting is a majority of the total outstanding shares of stock entitled to vote at the meeting, either present in person or represented by proxy.

Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum, as will shares voted by a bank, broker, trust or other nominee on a discretionary basis.

Discretionary Voting by Banks, Brokers, Trusts and Other Nominees

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

Accordingly, if you do not provide timely voting instructions to a broker, bank, trust or other nominee that holds your shares of record, that institution will be prohibited from voting on the election of directors (Proposal 1), on the approval of the Continental Airlines, Inc. Incentive Plan 2010 (Proposal 2) or on the stockholder proposal related to discontinuing stock option grants to senior executives (Proposal 4), but will be permitted to vote in its discretion with respect to the proposal to ratify the appointment of the independent registered public accounting firm (Proposal 3).

Please note that, as indicated above, these record holders will not be permitted to vote shares you beneficially hold in the election of directors unless you provide timely voting instructions. We urge you to submit your voting instructions to your bank, broker, trust or other nominee in advance of the meeting.

Please see Voting in Person at the Annual Meeting Beneficial Holders below for a discussion of the procedures and deadline for submitting your voting instructions.

Vote Required for Proposal 1: Election of Directors

Directors will be elected by a plurality of the votes cast at the meeting for directors by the holders of common stock entitled to vote thereon.

In the vote to elect directors, stockholders may:

vote in favor of all nominees;

withhold votes as to all nominees; or

withhold votes as to specific nominees.

Under the NYSE rules, banks, brokers, trustees or other nominees holding shares of record will not be permitted to vote those shares in the election of directors without timely instructions from the beneficial owners of the shares, resulting in broker non-votes. These broker non-votes are not treated as votes cast and will not affect the outcome of the proposal.

Pursuant to our director resignation policy, if any of our director nominees receives more withhold votes than votes for his or her re-election, our board (or a committee designated by our board) would be required to consider whether to accept the director s previously tendered conditional resignation. For further discussion of this policy, please see Corporate Governance Corporate Governance Guidelines Director Resignation Policy below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

Vote Required for Proposal 2: Approval of Incentive Plan 2010

The proposal to approve the Continental Airlines, Inc. Incentive Plan 2010, which we refer to as Incentive Plan 2010, will require approval by a majority of the votes cast at the meeting on Proposal 2 by the holders of common stock entitled to vote thereon. In addition, approval of the proposal under applicable NYSE rules requires that the total number of votes cast on the proposal represent a majority of the total outstanding shares entitled to vote on the proposal. For purposes of this proposal, abstentions are treated as votes cast and will have the same effect as votes against the proposal. Further, under the NYSE rules, banks, brokers, trustees or other nominees holding shares of record will not be permitted to vote those shares on Proposal 2 without timely instructions from the beneficial owners of the shares, resulting in broker non-votes. These broker non-votes are not treated as votes cast and will not be counted in determining whether the total number of votes cast on the proposal represents a majority of the total outstanding shares.

In the vote on the proposal to approve Incentive Plan 2010, stockholders may:

vote in favor of the proposal;

vote against the proposal; or

abstain from voting on the proposal (which is treated as a vote against the proposal).

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO APPROVE THE COMPANY S INCENTIVE PLAN 2010.

Vote Required for Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm

The proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm will require approval by a majority of the votes cast at the meeting on Proposal 3 by the holders of common stock entitled to vote thereon. Abstentions are not treated as votes cast and will not affect the outcome of the proposal.

In the vote on the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm, stockholders may:

vote in favor of the ratification;

vote against the ratification; or

abstain from voting on the ratification.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Vote Required for Proposal 4: Stockholder Proposal Related to Discontinuing Stock Option Grants to Senior Executives

The stockholder proposal related to discontinuing stock option grants to senior executives scheduled to be presented at the meeting will require approval by a majority of the votes cast at the meeting on Proposal 4 by the holders of common stock entitled to vote thereon. Under the NYSE rules, banks, brokers, trustees or other nominees holding shares of record will not be permitted to vote those shares on Proposal 4 without timely instructions from the beneficial owners of the shares, resulting in broker non-votes. Neither abstentions nor broker non-votes are treated as votes cast, and neither will affect the outcome of the proposal.

In the vote on this stockholder proposal, stockholders may:

vote in favor of the proposal;

vote against the proposal; or

abstain from voting on the proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE STOCKHOLDER PROPOSAL RELATED TO DISCONTINUING STOCK OPTION GRANTS TO SENIOR EXECUTIVES.

Voting in Person at the Meeting

Stockholders of record are entitled to vote their shares held of record in person at the meeting and at any postponement or adjournment of the meeting. A ballot will be provided to any stockholder of record upon request at the meeting. A stockholder beneficially holding shares in street name may only vote those shares in person at the meeting if the stockholder obtains a legal proxy from the broker, bank, trustee or other nominee that holds the shares of record giving the beneficial stockholder the right to vote the shares. Even if you plan to attend the meeting, we recommend that you also submit your vote in advance of the meeting as described below to ensure that your vote will be counted if you later decide not to attend. Please see Other Matters Directions to our Meeting below for directions to the annual meeting site.

Voting in Advance of the Meeting

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. The internet and telephone proxy procedures described below are designed to authenticate stockholders identities, to allow stockholders to give their proxy instructions and to confirm

that those instructions have been properly recorded. Stockholders authorizing proxies or directing the voting of shares by internet should understand that there may be costs associated with electronic access, such as usage charges from internet access providers and telephone companies, which must be borne by the stockholder.

Stockholders of Record. If you hold shares of record, you may vote by proxy over the internet by following the instructions provided in the Notice of Internet Availability or, if you received printed proxy materials, you may also vote by internet, telephone or mail pursuant to the instructions included on the proxy card. Proxies submitted through Broadridge Financial Solutions, Inc. by internet or telephone must be received by 11:59 p.m. Eastern Time on June 8, 2010, and proxies submitted through Broadridge by mail must be received by 10:00 a.m. on the meeting date. The giving of such proxy will not affect your right to vote in person if you decide to attend the meeting.

Beneficial Holders. If you hold shares beneficially in street name, you may direct the voting of those shares over the internet by following the instructions provided in the Notice of Internet Availability or, if you received printed proxy materials, you may also vote by internet, telephone or mail pursuant to the instructions included on the voting instruction card provided to you by your broker, bank, trustee or other nominee. Votes directed by internet or telephone must be received by 11:59 p.m. Eastern Time on June 8, 2010. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a legal proxy as described above under Voting in Person at the Annual Meeting.

Revocation of Proxies

If you are the record holder of your shares, you may revoke your proxy before it is exercised at the meeting in any of the following ways:

- by submitting written notice to our Secretary before the meeting that you have revoked your proxy;
- by timely submitting a subsequent proxy via the internet;
- if you received a proxy card, by timely submitting a subsequent proxy via telephone or by mail that is properly signed; or
- by voting in person at the meeting.

If you are not the record holder of your shares, you may revoke your proxy before it is exercised at the meeting by either:

- timely submitting new voting instructions to the broker, bank, trustee or other nominee following the instructions they provided; or
- voting in person at the meeting, provided you have a legal proxy from the holder of record.

Expenses of Solicitation

Continental will bear the costs of the solicitation of proxies. In addition to the solicitation of proxies by mail and internet, we may also solicit proxies by telephone, fax or in person. None of our regular employees or directors who engages in solicitation will receive additional compensation for that solicitation. In addition, we have retained Georgeson Inc. to assist in the solicitation of proxies for a fee estimated not to exceed $10,000 plus reasonable out-of-pocket expenses. Arrangements will be made with brokerage houses and with other custodians, nominees and fiduciaries to forward proxy soliciting materials to beneficial owners, and we will reimburse them for their reasonable out-of-pocket expenses incurred in doing so.

Stockholders Sharing the Same Last Name and Address

We are sending only one copy of our Notice of Internet Availability or, as applicable, printed proxy materials to stockholders who share the same last name and address, unless they have notified us that they want to continue receiving multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and save printing and postage costs.

We will deliver promptly to any stockholder who received a householded mailing this year, upon receipt of the stockholder s written or oral request, additional copies of our Notice of Internet Availability or, as applicable, printed

proxy materials. If you received a householded mailing this year and you would like to request additional copies, or if you would like to opt out of this practice for future mailings, please submit your request to our Secretary in writing at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607 or call us at (713) 324-5152. Additionally, if you share the same last name and address with one or more other stockholders and you received multiple copies of the Notice of Internet Availability or, as applicable, printed proxy materials, you may contact us in the manner described above to request a single copy in the future.

VOTING RIGHTS AND PRINCIPAL STOCKHOLDERS

Our Class B common stock is our only class of securities outstanding that is entitled to vote on the matters to be considered at the meeting. Each holder of record of Class B common stock as of the record date is entitled to cast one vote per share on each matter, subject to the limitations on voting by non-U.S. citizens described above. The following table sets forth, as of the dates indicated below, information with respect to persons owning beneficially (to our knowledge) more than five percent of any class of our voting securities.

Name and Address of Beneficial Holder	Beneficial Ownership of Class B Common Stock	Percent of Class(1)
FMR LLC 82 Devonshire Street Boston, MA 02109	21,791,255(2)	15.63%
Janus Capital Management LLC 151 Detroit Street Denver, CO 80206	18,769,612(3)	13.46%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	7,639,717(4)	5.48%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	7,012,327(5)	5.03%

(1) Percentages are calculated based on the number of outstanding shares of Continental s common stock as of the record date, which was 139,412,110.

(2) According to an amendment to Schedule 13G filed with the SEC on February 16, 2010, FMR LLC (FMR), the parent holding company of Fidelity Management & Research Company (Fidelity), and Mr. Edward C. Johnson 3d (Mr. Johnson), Chairman of FMR, reported that they may be deemed to beneficially own the shares reported in the table. FMR reported sole voting power with respect to 772,832 shares and sole dispositive power with respect to 21,791,255 shares, and Mr. Johnson reported sole dispositive power with respect to 21,791,255 shares. The amendment also reported that (i) Fidelity beneficially owned 21,018,423 shares as a result of acting as an investment adviser for various investment companies (the Fidelity Funds), which includes the 9,662,014 shares owned by Fidelity Capital Appreciation Fund and (ii) Fidelity exercises the sole power to vote the shares beneficially owned directly by the Fidelity Funds pursuant to written guidelines established by the board of trustees of each Fidelity Fund.

(3) According to an amendment to Schedule 13G filed with the SEC on February 16, 2010, Janus Capital Management LLC (Janus Capital), reported that it may be deemed to be the beneficial owner of, and have sole voting and dispositive power with respect to, the shares reflected in the table. Janus Capital reported its direct ownership of a 91.8% stake in INTECH Investment Management (INTECH) and a 77.8% stake in Perkins Investment Management LLC (Perkins). Janus Capital, INTECH and Perkins are registered investment advisers

furnishing investment advice to various investment companies, and their beneficial holdings are aggregated for purposes of the shares reported in the table. The amendment also reported that the aggregate beneficial ownership of Janus Capital includes the interest of Janus Overseas Fund, a registered investment company receiving investment advice from Janus Capital, which amounted to 11,918,010 shares.

(4) According to an amendment to Schedule 13G filed with the SEC on February 11, 2010, Capital World Investors (CWI), a registered investment adviser and a division of Capital Research and Management Company (CRMC), reported that it may be deemed to be the beneficial owner of the shares reflected in the table as a result of CRMC acting as an investment adviser to various investment companies. CWI reported that it has no voting power and sole dispositive power with respect to all of the shares reported in the table.

(5) According to a Schedule 13G filed with the SEC on February 12, 2010, Wellington Management Company, LLP, an investment adviser, may be deemed to beneficially own all of the shares reflected in the table. It reported that it has shared voting power with respect to 4,796,528 of those shares and shared dispositive power with respect to 7,012,327 of those shares, and that no shares are subject to sole voting or dispositive power.

Beneficial Ownership of Common Stock by Directors and Executive Officers

The following table shows, as of April 15, 2010, the number of shares of common stock beneficially owned by our current directors, each current and former executive officer named in the Summary Compensation Table, and all of our current executive officers and directors as a group. This table does not include the restricted stock units held by our executive officers. See Executive Compensation Outstanding Equity Awards at Fiscal Year End.

Name of Beneficial Owners	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Kirbyjon H. Caldwell	30,288(2)	*
James E. Compton	3,379	*
Carolyn Corvi	1,000(3)	*
Lawrence W. Kellner(4)	25,090(5)	*
Douglas H. McCorkindale	71,000(6)	*
Henry L. Meyer III	40,000(7)	*
Mark J. Moran	3,150	*
Oscar Munoz	32,000(8)	*
Zane C. Rowe	3,379	*
Laurence E. Simmons	5,000(9)	*
Jeffery A. Smisek	17,034	*
Karen Hastie Williams	46,000(10)	*
Ronald B. Woodard	13,500(11)	*
Charles A. Yamarone	51,750(12)	*
All executive officers and directors as a group (16 persons)	325,762(13)	*

* Less than 1%

(1) The persons listed have the sole power to vote and dispose of the shares beneficially owned by them, except as otherwise indicated. Each member of our board is required to beneficially hold at least 5,000 shares of our common stock, including shares the director can acquire within 60 days through the exercise of stock options. Our newly-elected directors, Ms. Corvi and Mr. Simmons, are exempt from the minimum ownership requirement for one year following the respective dates of their appointment to the board. For a discussion of the minimum ownership guidelines for our named executive officers, please see Corporate Governance Corporate Governance Guidelines Minimum Stock Ownership below.

(2) Represents 1,000 shares directly held by Mr. Caldwell and 29,288 shares subject to stock options that are exercisable as of April 15, 2010 (Exercisable Options).

(3) Represents shares directly held by Ms. Corvi, and does not include options to purchase 7,500 shares of common stock granted to Ms. Corvi on December 22, 2009, which will not be exercisable unless and until our stockholders approve Incentive Plan 2010 at the meeting. Please see Corporate Governance Compensation of Non-Management Directors below for further discussion of Ms. Corvi s stock options.

(4) Mr. Kellner resigned as our chairman of the board and chief executive officer on December 31, 2009.

(5) Represents 24,890 shares directly held by Mr. Kellner and 200 shares owned by a relative of Mr. Kellner, as to which shares Mr. Kellner shares dispositive power but disclaims beneficial ownership.

(6) Represents 21,000 shares directly held by Mr. McCorkindale and 50,000 Exercisable Options.

(7) Represents 5,000 shares directly held by Mr. Meyer and 35,000 Exercisable Options.

(8) Represents 2,000 shares directly held by Mr. Munoz and 30,000 Exercisable Options.

(9) Represents shares directly held by Mr. Simmons, and does not include options to purchase 7,500 shares of common stock granted to Mr. Simmons on December 1, 2009, which will not be exercisable unless and until our stockholders approve Incentive Plan 2010 at the meeting. Please see Corporate Governance Compensation of Non-Management Directors below for further discussion of Mr. Simmons stock options.

(10) Represents 1,000 shares directly held by Ms. Williams and 45,000 Exercisable Options.

(11) Represents 1,000 shares directly held by Mr. Woodard and 12,500 Exercisable Options.

(12) Represents 1,750 shares directly held by Mr. Yamarone and 50,000 Exercisable Options.

(13) Includes 251,788 Exercisable Options.

CORPORATE GOVERNANCE

We are committed to high standards of corporate governance and to conducting our business ethically and with integrity and professionalism. In furtherance of these commitments, our board has adopted Corporate Governance Guidelines developed and recommended by the Corporate Governance and Social Responsibility Committee of our board, which we refer to as our Guidelines, and monitors our ethics and compliance program through the adoption of Ethics and Compliance Guidelines for our employees and directors. The Guidelines, together with our bylaws, the charters of each of our board committees and the Ethics and Compliance Guidelines, provide the framework for the corporate governance at Continental. A complete copy of each of these documents may be obtained in the Investor Relations section of our internet website under the Corporate Governance link at *www.continental.com*, and we will furnish printed copies of these documents to interested security holders without charge, upon request. Written requests for such copies should be addressed to: Continental Airlines, Inc., Attention: Secretary, P.O. Box 4607, Houston, Texas 77210-4607.

Corporate Governance Guidelines

The Corporate Governance and Social Responsibility Committee monitors developments in the laws, regulations and best practices relating to corporate governance and periodically recommends to our board the adoption of amendments to the Guidelines to reflect those developments. The current Guidelines provide for the governance practices described below.

Independence. Our Guidelines require that a majority of our board be independent under the criteria for independence established by the NYSE. Our board is responsible for affirmatively determining whether each director nominee satisfies all applicable independence criteria for service on the board or any committee of the board. Please see Director Independence below for a discussion of our board s independence determinations.

Limitation on Board Service. None of our directors is permitted to serve on the board of directors of more than two other public companies if the director is employed on a full-time basis, or more than four other public companies if the director is employed on less than a full-time basis. For determining the number of boards of directors on which a director serves, our Guidelines exclude service on the board of directors of a charitable, philanthropic or non-profit organization, as well as service on the board of the director s principal employer. Further, a director s service on the board of directors of two or more affiliated companies that hold joint or concurrent board meetings will be considered service on only one other board.

Minimum Stock Ownership. In February 2010, our board implemented enhancements to our Guidelines to increase the minimum stock ownership requirements for our chief executive officer, or CEO, our directors and our executive vice presidents. Our Guidelines now require that each of our directors beneficially own at least 5,000 shares of our commons stock, subject to a one-year transition period for newly-elected directors, that our CEO beneficially own at least 10,000 shares, that our president beneficially own at least 5,000 shares, and that each of our executive vice presidents beneficially own at least 2,000 shares during the period ending February 16, 2011, and at least 5,000 shares thereafter. A director s or executive officer s holdings of restricted stock or stock options exercisable within 60 days are included when determining whether the individual beneficially owns a sufficient number of shares.

Additional Holding Period for Restricted Stock. In February 2010, our board determined, upon the recommendation of the Human Resources Committee, that future annual equity awards to our non-management directors would be made in shares of restricted stock. The forfeiture and transfer restrictions on these shares of restricted stock lapse on the one year anniversary of the grant date, subject to earlier vesting in certain circumstances. For a discussion of the

restricted stock to be granted to our non-management directors under our current compensation practices, please see Narrative Disclosure to Director Compensation Table Equity Awards below.

At the time our board determined to make these future equity awards to non-management directors in shares of restricted stock, it also implemented enhancements to our Guidelines to provide that each non-management director who receives a grant of shares of restricted stock of the company is required to hold at least 50% of those shares for an additional period of one year following the expiration of the applicable forfeiture and transfer restrictions set

forth in the agreement governing the grant. If a director discontinues service on our board, whether as a result of his or her resignation, removal, retirement, death or otherwise, this additional holding period requirement shall no longer apply to that director.

Lead Independent Director. In February 2010, our board implemented enhancements to our Guidelines to establish a lead independent director with the following responsibilities:

- presiding at all meetings of the board at which the Chairman of the Board is not present, including executive sessions of the members of the board who are not employees of the company, which we refer to as non-management directors, and executive sessions of the independent directors;

- calling meetings of the non-management directors and the independent directors;

- serving as a liaison between the Chairman of the Board and the non-management directors;

- coordinating with the Chairman of the Board on schedules and agendas for board meetings and other information sent to the board; and

- ensuring his or her availability for consultation and direct communication if reasonably requested by major stockholders.

The chair of the Corporate Governance and Social Responsibility Committee, currently Mr. Meyer, has been appointed by our board to serve as the lead independent director. Stockholders or other interested parties may communicate with our non-management directors through correspondence directed to the lead independent director. Please see Communications with the Board of Directors below for instructions on how to contact the lead independent director.

Director Resignation Policy. Under our director resignation policy, each of our incumbent directors must submit a conditional, irrevocable resignation letter in the form approved by our board before our board will nominate the director for re-election. The current form of resignation letter approved by our board provides that the resignation will only be effective if:

- the director receives more withhold votes than votes for his or her re-election in an uncontested election of directors; and

- our board (or a designated committee) accepts the resignation.

If an incumbent director does not receive the vote for re-election specified in his or her conditional resignation letter in an uncontested election of directors, our board (or a committee designated by our board) shall, no later than 60 days after certification of the election results, consider the attendant circumstances and any other factors it deems relevant and determine whether to accept the director s resignation. In accordance with our bylaws, Delaware corporate law and the form resignation letter approved by our board, the resignation letter cannot be revoked or withdrawn while this director resignation policy is in effect.

Each of the nominated directors has submitted his or her conditional, irrevocable letter of resignation as required by the policy. The revised conditional, irrevocable letter of resignation approved by our board for Jeff Smisek, our Chairman, President and CEO, includes an acknowledgement that our board s acceptance of his resignation under the circumstances described above would trigger his right under his employment agreement with us to resign for Good Reason and receive certain termination benefits. For a discussion of the termination benefits of Mr. Smisek following

his resignation for Good Reason, please see Executive Compensation Potential Payments Upon Termination or Change in Control below.

Occupational Changes. If a director experiences either a termination of his or her principal employment or position, or a material decrease in responsibilities with respect to that employment or position, the director is required to submit his or her offer to resign to the chair of the Corporate Governance and Social Responsibility Committee. The committee will then review the circumstances surrounding the employment change and such other matters as it deems appropriate and make a recommendation to our board concerning acceptance or rejection of the director s offer to resign. Our board will then make the final determination concerning whether to accept or reject the director s offer to resign.

Director Conflicts of Interest. Our Guidelines provide procedures for any director believing that he or she may have an actual or perceived conflict of interest, or any senior executive or director who believes another director may have such a conflict, to report the conflict to the chair of the Corporate Governance and Social Responsibility Committee, who is responsible for reviewing the director s conflict to determine the appropriate course of action. The committee chair s determination is subject to ratification by the full Corporate Governance and Social Responsibility Committee. Any waiver of these procedures may only be made by the Corporate Governance and Social Responsibility Committee and must be promptly disclosed to our stockholders.

Board and Committee Performance Reviews. The Corporate Governance and Social Responsibility Committee is required to review the performance of our board and each committee on an annual basis, and the Corporate Governance and Social Responsibility Committee may consider the results of these reviews when making recommendations to the board concerning the slate of director nominees or the board committee assignments.

Right to Amend. Our board has the authority to amend and/or restate the Guidelines, including any or all of these governance practices, from time to time in its sole discretion without stockholder approval.

Bylaws, Committee Charters and Other Policies

In addition to those established by our Guidelines, our bylaws, the charters of our board committees and our other company policies provide for the following significant corporate governance practices:

All of the members of our board are elected annually by our stockholders.

Only independent directors are permitted to serve on our Audit Committee, Corporate Governance and Social Responsibility Committee or Human Resources Committee.

The board and each committee have the authority to retain outside consultants or advisors at the company s expense as the directors deem necessary or appropriate.

Stockholders beneficially owning 25% or more of our outstanding common stock may call a special meeting of the stockholders.

Stockholders may act by written consent without a stockholder meeting.

Members of our board, our Section 16 Officers (defined below under Standing Committees of the Board of Directors Human Resources Committee) and our senior vice presidents are only permitted to buy or sell common stock and other company securities during an open trading window after consulting with our General Counsel.

Expiration of Stockholder Rights Plan

We do not currently have a stockholder rights plan, commonly referred to as a poison pill. In November 2008, the stockholder rights plan adopted in November 1998 expired by its terms.

Ethics and Compliance Program

Continental s Ethics and Compliance program includes the Ethics and Compliance Guidelines and the implementation of a worldwide (subject to applicable local privacy laws) Help Line that provides an anonymous method for reporting concerns. The Ethics and Compliance Guidelines apply to all of our co-workers, as well as our non-management

directors, and serve as the centerpiece for our ethics and compliance program. These guidelines promote ethical conduct, good judgment and compliance with laws and our corporate policies. Another key aspect of our ethics and compliance program is our Ethics and Compliance Committee, chaired by our General Counsel and Chief Compliance Officer, that promotes awareness and understanding of our program, periodically reviews and evaluates our program and the guidelines, and helps to ensure that our program continues to meet our corporate obligations and standards.

Global Citizenship

We foster a culture of environmental and social responsibility by running an efficient operation, investing in fuel-efficient aircraft and technology to reduce carbon emissions, minimizing noise and waste, playing an active role in the communities we serve, and promoting dignity and respect for all co-workers. For more information, please see our Global Citizenship Report, available in the Global Citizenship section of our internet website under About Continental at *www.continental.com*.

Director Independence

Our board determines the independence of each director through application of the director independence tests required by Section 303A of the NYSE Listed Company Manual and, for members of the Audit Committee, the additional independence tests required by Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Our board has applied these independence tests to our nine nominees, Mr. Larry Kellner, who resigned from our board in December 2009, Dr. George Parker, who retired from our board in June 2009, and Mr. Douglas McCorkindale, who is not standing for re-election, and determined that (1) each of the nominees for our board (other than Mr. Smisek (eight of the nine total nominees)), Dr. Parker and Mr. McCorkindale is independent under the applicable standards and (2) each of the nominees for our board and Mr. McCorkindale qualifies for service on each board committee on which such director currently serves. Please see Proposal 1: Election of Directors Director Biographical Summaries below for a list of all nine nominees for our board, together with biographical summaries for the nominees, including each individual s current committee memberships, business experience, directorships and qualifications.

In making these independence determinations, the board considered the transactions and relationships between the directors (or members of their immediate families) and the company and its subsidiaries described below:

Ms. Corvi. Ms. Corvi s sister is currently employed as a project manager of Boeing Corp. Neither the job responsibilities nor the compensation of Ms. Corvi s sister are structured in such a manner that would allow her sister to benefit, directly or indirectly, from any of our business transactions with Boeing, including the purchase or lease of aircraft and the purchase of aircraft-related services. As Ms. Corvi s sister is not an executive officer of Boeing, this relationship would not preclude Ms. Corvi s independence under the NYSE rules. During each of these past three years, our aggregate payments to Boeing represented approximately 1.75% or less of Boeing s consolidated gross revenues. Boeing also purchases air carrier services from us under a corporate contract. During each of the past three years, Boeing s payments to us represented 0.01% or less of Boeing s consolidated gross revenues. In addition, Ms. Corvi serves on the board of directors of Goodrich Corporation, a supplier of parts, equipment and repair services to us. During each of these past three fiscal years, our aggregate payments to Goodrich represented less than 0.50% of Goodrich s consolidated gross revenues. Our board has reviewed these arrangements and determined that they are not material to Ms. Corvi and do not impair her independence.

Mr. Meyer. Mr. Meyer has served as the Chairman, President and CEO of KeyCorp, one of the nation s largest bank-based financial services companies and the parent company of KeyBank, since May 2001. We receive payments from KeyBank in connection with its long-standing debit card program, which is co-branded with us, as well as payments from KeyCorp for air transportation services we provide under a corporate contract. Further, we make payments to KeyBank s leasing and finance division, which leases certain regional jet aircraft to us and financed our purchase of certain computer software licenses in 2008. During each of the past three years, our aggregate payments to KeyCorp and KeyBank, as well as their aggregate payments to us, in each

case represented approximately 0.80% or less of the consolidated gross revenues of KeyCorp. Our board has reviewed these arrangements and determined that they are not material to Mr. Meyer and do not impair his independence.

Ms. Williams. In 2005, Ms. Williams retired as a partner of Crowell & Moring LLP, a law firm that has provided services to us and our subsidiaries for many years. Ms. Williams continues to work on a part-time basis for Crowell & Moring LLP as Senior Counsel. Ms. Williams does not personally provide any legal services to Continental or its subsidiaries and has no individual interest in the fees we pay to Crowell &

Moring LLP. Our fee arrangement with Crowell & Moring LLP is negotiated on the same basis as our arrangements with other outside legal counsel and is subject to the same terms and conditions. The fees we pay to Crowell & Moring LLP are comparable to those we pay to other law firms for similar services. During each of the past three years, our aggregate payments to Crowell & Moring LLP represented less than 0.50% of Crowell & Moring s total revenues. Our board has reviewed this arrangement and determined that it is not material to Ms. Williams and does not impair her independence.

Mr. Woodard. Mr. Woodard serves on the board of directors of AAR Corp., a leading provider of products and services to the global aerospace and defense industry. AAR Corp. is a supplier of parts and repair services to us and has an ownership interest in an aircraft that was leased to us through August 2009, at which time we purchased the aircraft and sold it to a foreign buyer. During each of the past three years, our aggregate payments to AAR Corp., including our payments relating to the lease of aircraft and equipment and the purchase of parts and repair services, amounted to less than 0.85% of AAR Corp. s consolidated gross revenues. Our board has reviewed these arrangements and determined that they are not material to Mr. Woodard and do not impair his independence.

Contributions to Non-Profit Organizations Affiliated with Non-Management Directors. Our board considered the amounts of our discretionary contributions to charitable institutions or other non-profit organizations for which certain of our non-management directors serve as an officer, director, trustee or fiduciary, and determined that these contributions, which in each of the past three years did not exceed the greater of $1 million or 2% of the entity s consolidated gross revenues, were not material to those non-management directors and did not impair their independence.

The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that the director is independent. As a result of this review, the board affirmatively determined, based on its understanding of such transactions and relationships, that none of (i) the non-management directors nominated for election at the meeting, (ii) Dr. Parker or (iii) Mr. McCorkindale, has any material relationships with the company or its subsidiaries, and that all such directors are independent of the company under the applicable standards set forth by the NYSE and SEC. Mr. Smisek is not independent because of his current employment as an executive officer of the company, and Mr. Kellner was not independent because of his prior employment as an executive officer of the company.

Board of Directors Meetings

Regular meetings of our board are held four times per year, and special meetings are scheduled when required. The board held six meetings in 2009. During 2009, each of our current directors attended at least 75% of the sum of the total number of meetings of the board and each committee of which he or she was a member. Last year, all nine of our directors attended the annual meeting of stockholders.

Under our Corporate Governance Guidelines, directors are expected to fulfill diligently their fiduciary duties to stockholders, which duties include preparing for, attending and participating in meetings of the board and the committees of which the directors are a member. We do not have a formal policy regarding director attendance at annual meetings. However, when considering a director s renomination to the board, the Corporate Governance and Social Responsibility Committee must consider the director s history of attendance at annual meetings of stockholders and at board and committee meetings as well as the director s preparation for and participation in such meetings.

Our non-management directors regularly meet separately in executive session without any members of management present. During 2009, our non-management directors met in such executive sessions on five occasions. Our Corporate Governance Guidelines currently provide that the lead independent director shall preside over non-management

director executive sessions. If any of our non-management directors is determined by our board not to be independent, the lead independent director is required by our Corporate Governance Guidelines to call at least one executive session of our independent directors annually.

Standing Committees of the Board of Directors

Our board has established the committees described below, each of which operates under a written charter adopted by the board. Each of these committees may form and delegate its authority to subcommittees or the chair of the committee when appropriate. Please see the introductory paragraph immediately following Corporate Governance above for instructions on obtaining electronic or printed copies of the charters of these board committees.

Audit Committee. The Audit Committee has the authority and power to act on behalf of the board with respect to the appointment of our independent registered public accounting firm, which we also refer to as our independent auditors, and with respect to authorizing all audit and other activities performed for us by our internal and independent auditors. The committee, among other matters, reviews with management and the company s independent auditors the effectiveness of the accounting and financial controls of the company and its subsidiaries, and reviews and discusses the company s audited financial statements with management and the independent auditors. It is the responsibility of the committee to evaluate the qualifications, performance and independence of the independent auditors and to maintain free and open communication among the committee, the independent auditors, the internal auditors and management of the company. Please see Report of the Audit Committee below. The committee is also responsible for overseeing our risk assessment and risk management policies, including our enterprise risk management process, our legal and ethical compliance programs and our fuel and currency hedging strategies. Our board has determined that all members of the Audit Committee are independent directors as required by the applicable rules of the NYSE and SEC, and that Mr. McCorkindale and Mr. Munoz each qualifies as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act.

Corporate Governance and Social Responsibility Committee. The Corporate Governance and Social Responsibility Committee identifies individuals qualified to become members of the board, consistent with criteria approved by the board, and recommends to the board the slate of directors to be nominated by the board at each annual meeting of stockholders and any director to fill a vacancy on the board. The committee will consider recommendations for nominees for directorships submitted by stockholders. Stockholders desiring the committee to consider their recommendations for nominees should submit their recommendations, together with appropriate biographical information and qualifications, in writing to the committee, c/o Secretary, Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. The committee also recommends directors to be appointed to the committees of the board and the directors to serve as committee chairs, including in the event of vacancies, and oversees the evaluation of the board and management. The committee also developed and recommended to the board the company s Corporate Governance Guidelines and is responsible for overseeing our board s compliance with the Guidelines, including determining the appropriate course of action with respect to any potential or actual conflicts of interest involving a director brought to the attention of the chair of the committee. In addition, beginning in September 2009, the committee s responsibilities were expanded to include oversight of our policies and practices on significant issues of corporate social responsibility, including protection of the environment, workplace diversity, community relations and charitable contributions, and government relations and political contributions. For a discussion of our corporate social responsibility efforts, please see Global Citizenship above. All members of the Corporate Governance and Social Responsibility Committee are independent directors as required by the applicable rules of the NYSE.

Executive Committee. The Executive Committee has the authority to exercise certain powers of the board between board meetings.

Finance Committee. The Finance Committee reviews our annual financial budget, including the capital expenditure plan, and makes recommendations to the board regarding adoption of the budget as the committee deems appropriate.

Human Resources Committee. The Human Resources Committee reviews and approves corporate goals and objectives relevant to the compensation of our CEO, evaluates our CEO s performance in light of those goals and objectives, and determines and approves our CEO s compensation based on its evaluation. The committee also reviews and approves the compensation of our other Section 16 Officers and the incentive compensation plans and programs applicable to them. Our current Section 16 Officers are our Chairman, President and CEO; each of our

Executive Vice Presidents; our Senior Vice President, Human Resources and Labor Relations; our Senior Vice President, Communications and Government Affairs; our Senior Vice President, General Counsel, Secretary and Chief Compliance Officer; and our Vice President and Controller. The committee also administers our equity-based plans and other incentive and employee benefit plans and programs. All members of the Human Resources Committee are independent directors as required by the applicable rules of the NYSE.

To assist the committee in discharging its responsibilities with respect to executive compensation, the committee relies upon an independent compensation consultant that reports exclusively to the committee. The committee engaged Exequity LLP as its independent compensation consultant effective January 2009. Prior to that time, the committee relied on Mercer Human Resource Consulting, another independent compensation consultant, to assist it in developing and structuring the company s executive compensation programs. To ensure the consultant s objectivity and to avoid conflicts of interest, we adopted conflict of interest guidelines governing the relationship. These guidelines establish our management s obligation to report quarterly to the committee the scope and amount of work being performed by the consultant or its affiliates for us, the consultant s direct access to the committee through its chair, and the requirement that the consultant develop procedures to prevent any employee of the consultant who advises the committee on executive compensation matters from discussing their services with other employees of the consultant.

From time to time and in connection with the setting of incentive compensation targets, the compensation consultant makes executive compensation recommendations to the committee based on available marketplace compensation data for U.S. peer airlines and certain non-airline companies with comparable revenue and other characteristics. Management also makes independent recommendations to the committee concerning the form and amount of executive compensation. The committee then reviews and considers the consultant s and management s recommendations, marketplace compensation data, individual officer performance and other factors, and makes its determinations concerning the compensation of the CEO and other Section 16 Officers. During 2009, the committee s compensation decisions and determinations were made during eight meetings, seven of which included executive sessions at which management was not present. For further discussion of our processes and procedures for the consideration and determination of executive compensation, please see Executive Compensation Compensation Discussion and Analysis below.

In addition to its review and approval of the compensation of our Section 16 Officers, the committee is responsible for reviewing the compensation and benefits of our board s non-management directors. At the direction of the committee, the committee s independent compensation consultant compiled available marketplace director compensation data for U.S. peer airlines and certain non-airline companies with comparable revenue and other characteristics. The committee considered this peer company director compensation data, as well as other factors, received input from management, and determined that it would be appropriate to recommend that our board change the non-management director compensation to provide for (1) an annual grant to non-management directors of shares of restricted stock, which are generally considered to reflect a preferable compensation risk profile, replacing an annual grant of 7,500 stock options and (2) an annual fee to be paid to the newly-designated lead independent director to acknowledge the additional time and effort necessary to fulfill the responsibilities of the position. Based on this recommendation, in February 2010 the board approved the changes to our non-management director compensation described above. For further discussion of our non-management director compensation, please see Compensation of Non-Management Directors below.

Membership on Board Committees. The following table lists our five board committees, the directors who currently serve on them and the number of committee meetings held in 2009.

Name	Audit	Human Resources	Corporate Governance and Social Responsibility	Finance	Executive
Mr. Caldwell		X	X		
Ms. Corvi	X				
Mr. McCorkindale	X				X
Mr. Meyer		X	C		C
Mr. Munoz	C				X
Mr. Simmons	X				
Mr. Smisek				X	X
Ms. Williams				C	
Mr. Woodard		X	X	X	
Mr. Yamarone		C	X		
2009 Meetings	8	8	4	2	0

C = Chair

X = Member

Board Leadership Structure

Our board has the responsibility for selecting the appropriate leadership structure for the company. In making leadership structure determinations, the board considers many factors, including the specific needs of the business and what is in the best interests of the company s stockholders. Our current leadership structure is comprised of a combined Chairman of the Board and Chief Executive Officer, an independent director serving as our lead independent director and board committees led by independent directors. The board believes that this leadership structure is the most effective for the company at this time. Combining the Chairman of the Board and CEO roles promotes decisive leadership, fosters clear accountability and enhances the company s ability to communicate its message and strategy clearly and consistently to our stockholders, employees and customers, particularly during periods of turbulent economic and industry conditions. The board also believes there is a very well-functioning and effective balance between strong company leadership and appropriate safeguards and oversight by independent directors. For a discussion of the responsibilities of the lead independent director, please see Corporate Governance Guidelines Lead Independent Director above.

Board Oversight of Risk Management

Effective risk oversight is an important priority of the board. Because risks are considered in virtually every business decision, the board discusses risk throughout the year generally or in connection with specific proposed actions. The board s approach to risk oversight includes understanding the critical risks in the company s business and strategy, evaluating the company s risk management processes, allocating responsibilities for risk oversight among the full board and its committees, and fostering an appropriate culture of integrity and compliance with legal responsibilities.

Our board exercises its oversight of our risk management policies and practices primarily through its committees, which regularly report back to the board regarding their risk oversight activities. The Audit Committee oversees risks related to the company s financial statements, the financial reporting process, accounting and certain legal matters. The Audit Committee also oversees the internal audit function and the company s ethics and compliance program.

The Human Resources Committee periodically reviews the risks arising from our compensation policies, practices and programs, as well as the mitigating controls, to determine whether any such risks are material to us.

Based on its most recent review, the Human Resources Committee determined that the structure of our compensation policies, practices and programs appropriately utilize a mix of fixed and at-risk pay elements, annual and long-term incentives, and absolute and relative measures of performance, which mitigate and balance any risks to us.

The Finance Committee considers risks in connection with their review of the company s annual budget and capital spending plans, and the Corporate Governance and Social Responsibility Committee oversees issues that could pose significant reputational risk to the company.

While the board oversees risk management, company management is charged with managing risk. The Company has robust internal processes and a strong internal control environment to identify and manage risks and to communicate with the board. These include an enterprise risk management program, a risk management committee, a strong ethics and compliance program, and a comprehensive internal and external audit process. Our board receives periodic reports on each of these aspects of the company s risk management process. In addition, the board participates in our enterprise risk management process by providing feedback on managements identification and assessment of the key risks facing the company.

Communications with the Board of Directors

Stockholders or other interested parties can contact any director (including Mr. Meyer, the board s lead independent director), any committee of the board, or our non-management directors as a group, by writing to them c/o Secretary, Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. Comments or complaints relating to the company s accounting, internal accounting controls or auditing matters will also be referred to members of the Audit Committee. All such communications will be forwarded to the appropriate member(s) of the board, except that the board has instructed the company to direct communications that do not relate to the company s accounting, internal accounting controls or auditing matters to the chair of the Corporate Governance and Social Responsibility Committee and not to forward to the board or the chair of the Corporate Governance and Social Responsibility Committee certain categories of communications.

Qualifications of Directors

Our Corporate Governance Guidelines provide that the Corporate Governance and Social Responsibility Committee should consider the following when identifying director nominees:

The person s reputation, integrity and, for non-management director nominees, such person s independence from management and the company;

The person s skills and business, government or other professional experience and acumen, bearing in mind the composition of the board and the current state of the company and the airline industry generally at the time of determination;

The number of other public companies for which the person serves as a director (subject to the specific limitations described under Corporate Governance Guidelines Limitation on Board Service above) and the availability of the person s time and commitment to the company;

Diversity;

The person s knowledge of a major geographical area in which the company operates (such as a hub) or another area of the company s operational environment;

The period of time during which the person would be eligible to serve on the board under our Corporate Governance Guidelines, which provide that the board shall not nominate an individual who is age 70 at the time of such nomination, or who will be age 70 at the time of his or her election; and

Whether the person has a material, non-ordinary course (direct or indirect) investment in a direct competitor of the company.

While our board does not have a specific diversity policy, due to the global and complex nature of our business, the board believes it is important to consider diversity of race, ethnicity, gender, age, education, cultural background and professional experiences in evaluating board candidates.

The Corporate Governance and Social Responsibility Committee also confirms that nominees are in compliance with stock ownership requirements and board service limitations. In the case of current directors being considered for renomination, the committee also will take into account the director s:

Tenure as a member of the board;

Responses to the annual director performance self-assessment;

History of attendance at annual meetings of stockholders; and

History of attendance at board and committee meetings and the director s preparation for and participation in such meetings.

Moreover, each incumbent director is required to submit an irrevocable, conditional resignation letter pursuant to our director resignation policy prior to his or her nomination for re-election. Please see Corporate Governance Guidelines Director Resignation Policy above for a discussion of this requirement.

Director Nomination Process

Our director nomination process for new board members is as follows:

The Corporate Governance and Social Responsibility Committee, the Chairman and CEO, or other board member identifies a need to add one or more new board members, in some cases to fill vacancies on the board.

The Corporate Governance and Social Responsibility Committee, with input from senior management and the board, determines which criteria should be applied when identifying prospective director candidates. The criteria shall include the items listed above under Qualifications of Directors, and may include other considerations, such as whether a director candidate would enhance one or more board committees or whether he or she serves as an executive officer of another public company.

Based on the specific criteria established by the Corporate Governance and Social Responsibility Committee, senior management reviews the universe of prospective candidates to identify the initial slate of candidates that best satisfy the committee s criteria. This initial slate is then presented to the Corporate Governance and Social Responsibility Committee, which ranks the candidates and solicits input from the board on any additional candidates that should be considered.

The Chairman, President and CEO and at least one member of the Corporate Governance and Social Responsibility Committee interview prospective candidate(s). The results of these interviews, as well as any additional information concerning the candidates obtained by the board or senior management, are reported to the Corporate Governance and Social Responsibility Committee.

The full board is kept informed of progress.

The Corporate Governance and Social Responsibility Committee offers other board members the opportunity to interview each candidate and then meets to consider and approve each final candidate.

The Corporate Governance and Social Responsibility Committee seeks full board approval of each final candidate.

The board nominates for election (or appoints to fill a vacancy) each final candidate.

The Corporate Governance and Social Responsibility Committee also considers recommendations for nominees for directorships submitted by stockholders. When considering an individual nominated by a stockholder, the committee follows a substantially similar process, identifying the criteria to be applied and determining, based on information provided by the stockholder submitting the nominee and additional information obtained by the

board or senior management, whether the stockholder nominee satisfies those criteria. As discussed above, such criteria shall include the items listed above under Qualifications of Directors.

The Corporate Governance and Social Responsibility Committee, which is authorized to retain consultants or advisors as it deems necessary or appropriate, may hire a search firm to assist with the process described above. If retained by the committee, the search firm would likely assist with the development of the criteria, the identification of qualified candidates and the gathering of additional information on the final candidates.

Director Education

As provided in our Guidelines, our newly-elected directors participate in an orientation program following their election or appointment to the board. This orientation includes presentations by our senior management and independent auditors to familiarize new directors with our strategic plans, financial statements and key policies and practices. We also provide our directors with opportunities to visit our facilities, to participate in training concerning our policies and programs and to review strategic areas of our business in depth. Our directors also participate in director education programs sponsored by various educational institutions, and we reimburse their expenses incurred to attend such programs. In addition, all of our directors are provided flight benefits, including access to our Presidents Club airport lounges, enabling them to monitor the quality of our services and to interact with employees and customers.

Compensation of Non-Management Directors

The table below provides information relating to the compensation of the non-management members of our board in 2009. The compensation elements are described in the narrative following the table.

2009 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)(2)	Total ($)
Kirbyjon H. Caldwell	61,350	0	50,843	0	0	20,347	132,540
Carolyn Corvi(3)	612	0	0	0	0	0	612
Douglas H. McCorkindale	67,000	0	50,843	0	0	1,644	119,487
Henry L. Meyer III	68,100	0	50,843	0	0	10,542	129,485
Oscar Munoz	86,103	0	50,843	0	0	18,990	155,936
George G. C. Parker	31,750	0	0	0	0	10,269	42,019
Laurence E. Simmons(3)	12,558	0	0	0	0	0	12,558
Karen Hastie Williams	68,950	0	50,843	0	0	31,048	150,841
Ronald B. Woodard	60,881	0	50,843	0	0	4,904	116,628
Charles A. Yamarone	67,750	0	50,843	0	0	5,726	124,319

(1) This represents the grant date fair value, computed in accordance with the Financial Accounting Standards Board s Accounting Standards Codification Topic 718, Compensation Stock Compensation (ASC 718), of 7,500 stock options granted to each of our non-management directors on June 10, 2009, excluding Ms. Corvi and Mr. Simmons, who were elected to the board subsequent to our 2009 annual meeting of stockholders. These options became exercisable immediately upon grant, have an exercise price of $9.22 per share (the NYSE closing price of our common stock on the grant date) and have a ten-year term. The value of these options is based on assumptions which are set forth in Note 9, Stock Plans and Awards to the consolidated financial statements contained in Item 8 of the company s annual report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K). Our non-management directors held the following outstanding stock options as of December 31, 2009: Mr. Caldwell 29,288 options, Ms. Corvi 7,500 options, Mr. McCorkindale 50,000 options, Mr. Meyer 35,000 options, Mr. Munoz 30,000 options, Mr. Parker 32,500 options,

Mr. Simmons 7,500 options, Ms. Williams 45,000 options, Mr. Woodard 20,000 options, and Mr. Yamarone 50,000 options.

(2) Amounts shown for each director represent a tax reimbursement relating to the flight benefits described below, calculated based on the IRS valuation of the benefit (which value is greater than the incremental cost to the company of providing such benefits).

(3) There is currently no grant date fair value associated with the 7,500 stock options granted to each of Ms. Corvi and Mr. Simmons following their election to the board, as those options are subject to stockholder approval of Incentive Plan 2010 at the meeting. In accordance with ASC 718, awards made under an arrangement that is subject to stockholder approval are not deemed to be granted until the approval has been obtained. Please see Narrative Disclosure to Director Compensation Table Equity Awards below for further discussion of the stock options held by Ms. Corvi and Mr. Simmons.

Narrative Disclosure to Director Compensation Table

Annual Fees. Each of our non-management directors receives an annual fee of $25,000, paid quarterly in advance, as well as the following additional annual fees, paid quarterly in advance, which are based on committee membership, service as a committee chair or service as the lead independent director:

$40,000 for the chair of the Audit Committee;

$20,000 for the chair of each of the Corporate Governance and Social Responsibility Committee and the Human Resources Committee;

$25,000 for each member of the Audit Committee (other than the chair of the Audit Committee);

$15,000 for each member of the Human Resources Committee who is not receiving any additional annual fees for service as the chair of a committee of our board; and

$20,000 for the lead independent director, effective February 2010.

Meeting Fees. Our non-management directors also receive the following fees for attendance at meetings of our board and committees:

$1,400 ($2,100 for the committee chair) for each board and committee meeting physically attended (other than an Audit Committee meeting);

$2,000 ($3,000 for the committee chair) for each Audit Committee meeting physically attended;

$700 for each board meeting attended by telephone; and

$350 for each committee meeting attended by telephone ($500 for each Audit Committee meeting attended by telephone).

Flight Benefits. As indicated above, our non-management directors receive lifetime flight benefits, comprised of space-available personal and family flight passes, a travel card permitting positive space travel by the director, the director s family and certain other individuals, frequent flyer cards, access to our Presidents Club facilities for the director and his or her spouse and airport parking where available to us at no incremental cost. As is common in the

airline industry, our directors also receive travel privileges on some other airlines through arrangements entered into between us and such airlines. These benefits are taxable to the director, subject to reimbursement of certain of such taxes by the company. In May 2009, our board adopted amendments to our Guidelines to provide that the company will not provide tax reimbursements on post-separation perquisites to non-management directors newly-elected after such date. Only those non-management directors with an existing contractual right at the time of such amendments will receive the tax reimbursements on post-separation perquisites.

Orientation Fees. Each of our non-management directors is entitled to receive $2,500 as compensation for time spent on orientation matters when the director is initially elected to the board or to a committee on which he or she has not recently served.

Equity Awards. On June 10, 2009, the date of our 2009 annual meeting of stockholders, each individual then serving as one of our non-management directors received an annual grant of stock options to purchase 7,500 shares of our common stock at an exercise price equal to the closing price on the date of grant. These options were fully vested upon grant and have a 10-year term. In accordance with our standard compensation arrangements for non-management directors in effect during 2009, newly-elected directors who were first elected to the board other than at an annual meeting of stockholders would receive the annual stock option grant at the time of such election. However, Mr. Simmons did not receive a grant of stock options at the time of his election in November 2009 because our incentive compensation plan pursuant to which equity awards were granted to non-management directors had expired in October 2009. On December 1, 2009, our board adopted Incentive Plan 2010 and approved a grant to Mr. Simmons under this plan of stock options to purchase 7,500 shares of our common stock. This grant to Mr. Simmons, as well as the grant under this plan of 7,500 stock options to Ms. Corvi upon her election to our board in December 2009, are subject to the approval of Incentive Plan 2010 by our stockholders at the meeting.

In February 2010, our board determined, upon the recommendation of the Human Resources Committee, that future annual equity awards to our non-management directors would be made in shares of restricted stock with an aggregate value of $50,000, subject to the approval of Incentive Plan 2010 by our stockholders at the meeting. The closing price per share of our common stock on the trading date preceding the date of grant will be used to calculate the number of shares of restricted stock granted to each non-management director, and these grants will be made on the date of each of our annual stockholders meetings, or upon the date that a new director is first elected to the board if other than at an annual stockholders meeting. The forfeiture and transfer restrictions on these shares lapse on the one year anniversary of the grant date (subject to earlier vesting upon the death or disability of the director or on the last day of service as a member of the board with respect to any director (i) who is ineligible for nomination to the board pursuant to the terms of the company s Corporate Governance Guidelines related to age or (ii) whose service on the board is terminated upon or following a change in control of the company). Upon the lapse of these restrictions, our non-management directors are required to hold 50% of the shares of previously restricted stock for an additional one-year period pursuant to our Guidelines. For a discussion of this additional holding period requirement, please see Corporate Governance Guidelines Holding Period for Restricted Stock above.

Reimbursement of Expenses. We reimburse our directors, including those who are full-time employees who serve as directors, for expenses incurred in attending meetings or in connection with participation in director education programs and director institutes offered by third parties.

Conducting Company Business. Our non-management directors who, in their capacities as directors, conduct business on our behalf at the request of the board or the Chairman of the Board are paid:

- For telephone participation in board and committee meetings as if they were physically present, if conducting that business makes it impractical for them to attend the meeting in person; and

- $3,000 per day spent outside the United States while conducting that business.

Policies and Procedures for Review of Related Person Transactions

As required by its charter, the Audit Committee reviews, at least annually, all related person transactions that are required to be disclosed in the proxy statement for our next annual meeting of stockholders. We obtain information concerning any possible related person transactions from our directors and executive officers through their responses to annual questionnaires. All responses identifying possible related person transactions are then compiled and reviewed by management. We apply the disclosure standards adopted by the SEC for related person transactions to determine, based on the particular facts and circumstances, whether any related person (as defined by the SEC) has a direct or indirect material interest in a transaction involving the company. Management reviews with the Audit

Committee a summary of each transaction considered, together with its conclusions concerning whether any related person has a material interest in such transaction. If, based on this review, a related person is determined to have a material interest in a transaction with the company and no exception from disclosure applies, we will disclose the transaction in our proxy statement as required by the SEC s rules.

Related Person Transactions

Management reviewed with the Audit Committee all transactions since January 1, 2009 involving a related person identified in the annual questionnaire responses or otherwise known to the committee or the company. None of these transactions was required to be disclosed as a related person transaction pursuant to the SEC s rules.

Compensation Committee Interlocks and Insider Participation

Our executive compensation programs are administered by the Human Resources Committee of the board. The committee is currently composed of four independent, non-management directors, and no member of the committee has ever been an officer or employee of Continental or any of its subsidiaries. None of our executive officers has served as a member of any board of directors or compensation committee of any other company for which any of our directors served as an executive officer at any time since January 1, 2009.

Report of the Audit Committee

The Audit Committee is comprised of four non-employee members of the board of directors (listed below). After reviewing the qualifications of the current members of the committee, and any relationships they may have with the company that might affect their independence from the company, the board has determined that (1) all current committee members are independent as that concept is defined in Section 10A of the Exchange Act, (2) all current committee members are independent as that concept is defined in the applicable rules of the NYSE, (3) all current committee members are financially literate, and (4) each of Mr. McCorkindale and Mr. Munoz qualifies as an audit committee financial expert under the applicable rules promulgated pursuant to the Exchange Act.

The board of directors appointed the undersigned directors as members of the committee and adopted a written charter setting forth the procedures and responsibilities of the committee. Each year, the committee reviews the charter and reports to the board on its adequacy in light of applicable NYSE rules. In addition, the company will furnish an annual written affirmation to the NYSE relating to, among other things, clauses (2)-(4) of the first paragraph of this report and the adequacy of the committee charter.

During the last year, and earlier this year in preparation for the filing with the SEC of the company s annual report on Form 10-K for the year ended December 31, 2009 (the 10-K), the committee, among other matters:

reviewed and discussed the audited financial statements included in the 10-K with management and the company s independent registered public accounting firm, referred to in this report as the independent auditors ;

reviewed the overall scope and plans for the audit and the results of the examinations by the company s independent auditors;

met with management periodically during the year to consider the adequacy of the company s internal controls and the quality of its financial reporting and discussed these matters with the company s independent auditors and with appropriate company financial personnel and internal auditors;

discussed with the company s senior management, independent auditors and internal auditors the process used for the company s chief executive officer and chief financial officer to make the certifications required by the SEC and the Sarbanes-Oxley Act of 2002 in connection with the 10-K and other periodic filings with the SEC;

reviewed and discussed with the independent auditors (1) their judgments as to the quality (and not just the acceptability) of the company s accounting policies, (2) the written communications required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the committee concerning independence, and the independence of the independent auditors, and (3) the matters required to be discussed with the committee under auditing standards generally accepted in the United States, including Statement on Auditing Standards No. 61, Communication with Audit Committees , as amended;

based on these reviews and discussions, as well as private discussions with the independent auditors and the company s internal auditors, recommended to the board of directors the inclusion of the audited financial statements of the company and its subsidiaries in the 10-K; and

determined that the non-audit services provided to the company by the independent auditors (discussed below under Proposal 3) are compatible with maintaining the independence of the independent auditors. The committee s pre-approval policies and procedures are discussed below under Proposal 3.

Notwithstanding the foregoing actions and the responsibilities set forth in the committee charter, the charter clarifies that it is not the duty of the committee to plan or conduct audits or to determine that the company s financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for the company s financial reporting process including its system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The independent auditors are responsible for expressing an opinion on those financial statements. Committee members are not employees of the company or accountants or auditors by profession or experts in the fields of accounting or auditing. Therefore, the committee has relied, without independent verification, on management s representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and on the representations of the independent auditors included in their report on the company s financial statements.

The committee meets regularly with management and the independent and internal auditors, including private discussions with the independent auditors and the company s internal auditors and receives the communications described above. The committee has also established procedures for (a) the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by the company s employees of concerns regarding questionable accounting or auditing matters. However, this oversight does not provide us with an independent basis to determine that management has maintained (1) appropriate accounting and financial reporting principles or policies, or (2) appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our considerations and discussions with management and the independent auditors do not assure that the company s financial statements are presented in accordance with generally accepted accounting principles or that the audit of the company s financial statements has been carried out in accordance with generally accepted auditing standards.

The information contained in this report shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

Respectfully submitted,

Audit Committee

Oscar Munoz, Chairman
Carolyn Corvi
Douglas H. McCorkindale
Laurence E. Simmons

EXECUTIVE OFFICER BIOGRAPHICAL SUMMARIES

The following table sets forth information with respect to our current executive officers:

Name, Age and Position:	Term of Office and Business Experience:
JEFFERY A. SMISEK, age 55 Chairman of the Board, President and Chief Executive Officer	Chairman of the Board, President and Chief Executive Officer since January 2010. President and Chief Operating Officer (September 2008 December 2009) and President (December 2004 September 2008). Director since December 2004. Mr. Smisek joined the company in 1995.
JAMES E. COMPTON, age 54 Executive Vice President and Chief Marketing Officer	Executive Vice President and Chief Marketing Officer since January 2010. Executive Vice President Marketing (August 2004 December 2009). Mr. Compton joined the company in 1995.
MARK J. MORAN, age 54 Executive Vice President and Chief Operations Officer	Executive Vice President and Chief Operations Officer since January 2010. Executive Vice President Operations (August 2004 December 2009). Mr. Moran joined the company in 1994.
ZANE C. ROWE, age 39 Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer since August 2008. Senior Vice President Network Strategy (September 2006 August 2008); Vice President Network Strategy (August 2005 September 2006) and Staff Vice President Financial Planning and Analysis (February 2001 August 2005). Mr. Rowe joined the company in 1993.
MICHAEL P. BONDS, age 47 Senior Vice President Human Resources and Labor Relations	Senior Vice President Human Resources and Labor Relations since June 2005. Vice President Human Resources (February 2003 June 2005). Mr. Bonds joined the company in 1995.
IRENE E. FOXHALL, age 58 Senior Vice President Communications and Government Affairs	Senior Vice President Communications and Government Affairs since January 2010. Senior Vice President Global Communications and Public Affairs (October 2008 December 2009); Senior Vice President International and State Affairs (September 2007 October 2008); Vice President International and State Affairs (September 2005 September 2007) and Vice President State and Civic Affairs (May 1995 September 2005). Ms. Foxhall joined the company in 1995.

JENNIFER L. VOGEL, age 48 Senior Vice President, General Counsel, Secretary and Chief Compliance Officer	Senior Vice President, General Counsel, Secretary and Chief Compliance Officer since September 2003. Ms. Vogel joined the company in 1995.

There is no family relationship between any of our executive officers. All officers are appointed by the board to serve until their resignation, death or removal.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The severe economic recession in the U.S. and global economies had a significant adverse impact on the demand for air travel, especially high-yield business traffic, resulting in our loss of $282 million for the year ended 2009. The poor economy, disrupted global capital markets, and volatile fuel prices contributed to another challenging year for U.S. network carriers and hindered our ability to achieve and sustain profitability. Despite these challenges, we continued efforts in 2009 to position our company to take advantage of an improving economic environment. For example, during the year we focused significant effort on successfully transitioning into Star Alliance, which we joined on October 27, 2009. We also received approval from the Department of Transportation to join United Airlines and eight other carriers that already hold antitrust immunity to work together to deliver highly competitive international air transportation services. As we look to 2010, we see some indications that the industry may be experiencing the early stages of a recovery and we remain focused on achieving the full benefits of our participation in Star Alliance and returning to profitability.

In the challenging economic environment, we remained focused on our financial results, our product and our culture. For 2009, we again achieved the best EBITDAR margin performance among our network peers, and our length-of-haul adjusted revenue per available seat mile was among the best of our network peers. We continued to invest in our award-winning product as we began the installation of flat-bed BusinessFirst seats on aircraft that service our long-haul international flights, continued the installation of DIRECTV® on our narrowbody Next-Generation Boeing 737 aircraft, and introduced the convenience of a cashless cabin for on-board purchases. In March 2010, we were again rated the most admired U.S. airline on FORTUNE Magazine s annual airline industry list of World s Most Admired Companies, our ninth consecutive year to receive this honor. In the same survey, of the 14 global carriers ranked, Continental ranked first for people management. We continue to focus on open and honest communication with our co-workers.

Five years ago, adverse economic conditions required us to reduce pay and benefit costs company-wide and streamline work rules in order to save approximately $500 million annually, and in connection with those actions we provided enhanced incentive-based pay elements for substantially all of our employees. These reductions and work rule changes provided the framework for a business plan that helped the company avoid filing for bankruptcy protection like so many of our competitors were forced to do, return to profitability in 2006 and 2007, grow our network and provide a competitive platform to respond to the many challenges we have faced. Providing variable incentive-based compensation elements to all of our workgroups allows us to reward all co-workers based on performance. These incentive-based compensation programs resulted in payouts of profit sharing to our broad-based employee groups totaling nearly $270 million in 2007 and 2008 (based on 2006 and 2007 financial performance). We were not profitable in 2008 or 2009 and, accordingly, no profit sharing was paid to employees and no annual performance incentives were paid to the named executive officers for either year. However, other performance-based on-time incentives benefiting most broad-based employee groups have rewarded superior operational performance and resulted in payouts of approximately $105 million since the beginning of 2005.

We also successfully implemented our succession plan after Larry Kellner, our Chairman and Chief Executive Officer throughout 2009, voluntarily resigned at year-end. Jeff Smisek was promoted to the position of Chairman, President and Chief Executive Officer effective January 1, 2010. In connection with his promotion, Mr. Smisek has entered into an agreement with the company pursuant to which he has agreed to forego his annual salary and any annual bonus that

would otherwise be earned for each calendar year beginning on or after January 1, 2010, unless the company makes a profit for that calendar year.

Philosophy

Our executive compensation philosophy for 2009 continued to be defined by three main objectives: aligning executive incentives with stockholders and co-workers interests, retaining our management team, and linking pay to performance. We made difficult decisions in 2005 that allowed us to implement a business plan that has permitted us to grow, return to profitability in 2006 and 2007, and reward our co-workers through variable incentive-based

compensation, and has prepared us to remain viable in the global economic crisis. We believe that keeping the interests of our executives aligned with the interests of our stockholders and our co-workers will be an important factor in achieving and sustaining profitability. We also believe that our experienced and well-regarded management team has been, and continues to be, critical to the successful implementation of our business strategies and the ultimate preservation and growth of stockholder value. Accordingly, retention of senior executives is a key goal. Finally, we believe that pay for performance is a critical element in our executive compensation structure, and that both absolute and relative performance measures are appropriate. Our incentive programs are designed to drive performance by such measures. The performance measures used in our incentive compensation programs are defined in Detailed Description of Pay Elements Performance Measures below.

Aligned Interests. We have structured executive and broad-based employee incentives to align the interests of our executives and co-workers with those of our stockholders and customers. The Human Resources Committee believes that such incentives are an important contributor to Continental s potential for successful performance.

For each of the years included in the Summary Compensation Table below, our executive compensation elements were aligned with the interests of our stockholders by linking our incentive compensation performance measures to the following key indicators of the company s financial performance: our annual return on base invested capital (ROBIC); EBITDAR margin relative to our domestic network competitors; the size of our profit-sharing pool for broad-based workgroups; achieving positive net income; and maintaining specified cash balances. The restricted stock unit (RSU) program aligns management s interests with our stockholders interests by placing the executives compensation at risk for any share price decline that occurs after the achievement of any performance target but before the relevant payment dates, which are spread over multi-year periods for retention purposes. The Profit Based RSUs, discussed below, also align our executives interests with the interests of our co-workers by linking executive incentive opportunities to the achievement of cumulative profit sharing pools for our broad base of employees.

Our broad-based employee incentive opportunities are designed to further our objective of aligning the interests of our co-workers with those of our stockholders and customers. First, stock options granted to our broad co-worker group (excluding officers) in connection with the pay and benefit cost reductions discussed above had realized value upon exercise and unrealized gains of over $96 million based on the closing price of the company s common stock on December 31, 2009. Pursuant to our profit sharing plan, eligible co-workers receive incentives that also are aligned with the interests of our stockholders through payout opportunities based on our annual pre-tax profits. No annual incentives were paid to the named executive officers and no amounts were paid under the Enhanced Profit Sharing Plan for 2009 because the company did not report a profit for the year. Finally, the company maintains its long-standing broad-based on-time arrival incentive program and its perfect attendance program. These programs ensure a continued focus on operational performance that aligns co-worker performance with customer satisfaction, enhances our product, and drives financial performance.

Retention. Continental is one of only two major domestic network carriers to avoid bankruptcy since the terrorist attacks of September 11, 2001. Our experienced and skilled management team has played a significant role in our stability relative to our peers and our ability to successfully implement innovative business strategies, such as being the first major carrier to transition from one global alliance to another. We seek to retain our management team primarily by setting compensation at competitive levels, by spacing long-term incentive payouts over several years, and by requiring continued employment to receive those payouts.

We recognize the opportunities available to our senior executives from other companies within our industry and outside our industry. Mr. Kellner s departure effective December 31, 2009 to pursue other business opportunities is an example of the retention challenges facing the company and the Human Resources Committee as it sets compensation for our executives. We seek to pay our officers competitively relative to companies of similar size and business complexity in general industry, while recognizing that our management team is well-regarded in the airline industry.

Accordingly, the Human Resources Committee determined that it is appropriate to design programs that target total compensation for executives at the 50th percentile among the general industry group and at the 75th percentile of the airline industry, based on a benchmarking process discussed further below under Process and Oversight Compensation Benchmarking.

Pay for Performance. Our incentive compensation programs are designed to measure and reward annual performance based on absolute performance targets and long-term performance based on both absolute and relative performance targets. Absolute performance targets provide the primary links between incentive compensation and the company s business strategy and operational results. Relative performance targets provide balance to the absolute performance targets by measuring the company s performance in comparison to an industry peer group. Relative performance targets also provide flexibility to deal with unforeseen events and industry-wide challenges. In such circumstances, the company could fail to achieve its absolute performance targets, but the relative performance measures will reward a management team that is able to outperform its peer group in the face of adverse industry conditions. Similarly, even if the absolute performance goals are attained, the failure to achieve the relative performance goals can reduce the value of management s incentive awards. Each of the company s compensation programs, including the performance goals and financial performance hurdles, is described in further detail under Detailed Description of Pay Elements below as well as in the discussion following the Summary Compensation Table.

Process and Oversight

Human Resources Committee. The Human Resources Committee, which is comprised solely of independent directors, makes all decisions concerning the compensation of our named executive officers. The Human Resources Committee has retained Exequity LLP as its independent compensation consultant to assist it in developing and structuring the company s executive compensation programs in light of the principal objectives of our compensation philosophy described above, and also has retained Cleary, Gottlieb, Steen & Hamilton LLP as its legal counsel for executive compensation matters. In designing particular programs, the Human Resources Committee also considers recent trends in executive compensation and the concerns expressed by investors on the topic of executive compensation. For additional information concerning the Human Resources Committee, including its authority and its compensation consultant conflict of interest guidelines, see Corporate Governance Standing Committees of the Board of Directors above.

Target Setting. Prior to each new fiscal year, management prepares financial forecasts, an operating and capital expenditure budget, and the company s Go Forward Plan, our business plan for the new year. Based on this planning process and the operating budget approved by our board, management develops and proposes performance targets under the incentive compensation programs for the new fiscal year. These proposals then are evaluated by Exequity, the Human Resources Committee s independent compensation consultant, in light of compensation trends, benchmarking and internal parity analysis. The Human Resources Committee, with reference to information provided in the tally sheets and the analysis prepared by Exequity, each as discussed below, reviews the proposed targets and establishes the final performance targets for each program.

Tally Sheets. We prepare comprehensive executive compensation tally sheets covering each of the named executive officers and present them to the Human Resources Committee in advance of the meetings at which incentive compensation performance targets are set and incentive awards are considered and made. The Human Resources Committee uses these tally sheets as a valuable source of historical and projected data in its process of considering and granting incentive awards and in making annual pay decisions. The tally sheets include detail of the actual dollar value of compensation received for prior years (including amounts reported to the named executives on Form W-2), the estimated compensation for the current year, and the potential value of any awards being considered by the committee, as well as wealth accumulation analysis in the form of projected compensation values for potential separation scenarios under the employment agreements and upon a change in control of the company. When making decisions on new compensation awards, the committee takes into consideration past awards as well as the potential value of outstanding awards.

Compensation Benchmarking. The Human Resources Committee believes that our competition for executive talent includes other airlines as well as a broader range of general industry companies. Consequently, in assessing our

compensation levels and designing executive compensation programs, the Human Resources Committee compares Continental s executive compensation levels to both an airline-only peer group as well as selected large, non airline-specific U.S.-based companies. In 2009, the non airline-specific companies used as a compensation benchmarking reference point consisted of companies of similar size and scale as Continental so that the analysis compares executive compensation for positions with relatively similar levels of responsibility and

complexity. For this purpose, Exequity identified the 100 U.S.-based publicly traded companies that had annual revenues closest in amount to Continental s annual revenues, with 50 of these companies having greater revenues than Continental and 50 having revenues less than Continental s. The median annual revenues for the non airline-specific benchmark group was $14.4 billion versus Continental s annual revenues of $14.2 billion (based on 2007 annual revenues). Additional information concerning the group of companies used for the 2009 benchmarking analysis is attached as Appendix A to this proxy statement. Within the airline industry, the peer group for both pay and performance comparison in 2009 consisted of American Airlines, United Airlines, Delta Air Lines, Northwest Airlines and US Airways as well as low cost carriers Alaska Airlines and Southwest Airlines. Northwest Airlines was dropped from the peer group following the completion of its merger with Delta Air Lines. The Human Resources Committee believes that this peer group offers an appropriate comparison for determining pay and financial performance goals relative to the most comparable companies within the airline industry.

The Human Resources Committee annually evaluates the compensation of our CEO and our other named executive officers versus the compensation levels reported for the CEO and officers in equivalent positions for the general industry group and the airline peer group. As discussed above under Philosophy Retention, the Human Resources Committee targets total compensation for executives at the 50th percentile among the general industry group and at the 75th percentile of the airline peer group. The Human Resources Committee reviews the alignment of each named executive officer s pay with the benchmark pay levels among the two comparator groups, as well as the total pay provided to the group of named executive officers in comparison to total pay delivered by the two comparator groups to their named executive officers as a group. The Exequity analysis reviewed by the Human Resources Committee prior to making pay decisions for 2009 showed that total direct compensation for the company s named executive officers as a group fell below both the general industry group medians and the targeted benchmark 75th percentile among the airline peer group. Similarly, the pay of Continental s CEO fell well below the benchmark levels of median compensation among the general industry group and the 75th percentile among the airline peers. The pay comparisons for each named executive officer generally showed that Continental s executive pay falls below the benchmark levels, with some limited exceptions. Although compensation falls below the overall targeted benchmarks, the committee also recognizes the constraints on compensation in light of the current adverse economic and industry climate.

Internal Parity of Executive Compensation. The review of the benchmarking analysis and the core compensation philosophies discussed above are balanced with the interest of achieving the desired internal parity of compensation among the named executive officers. Compensation levels are also based on competitive considerations, individual performance over time, overall financial results and job duties and responsibilities. Accordingly, for 2009, Mr. Kellner continued to have the highest compensation among the named executive officers, followed by Mr. Smisek. Since being elected president effective in December 2004, Mr. Smisek s compensation levels have been set closer to those of Mr. Kellner in recognition of his strong supporting role and for retention and succession planning purposes. As executive vice presidents with primary responsibility over one of the three major areas of our business (finance, marketing and operations), Messrs. Rowe, Compton, and Moran have the same compensation opportunities. Our Human Resources Committee has determined that it is appropriate to provide the same base salary and incentive compensation opportunities to each of our executive vice presidents and believes that this uniformity in compensation encourages their collaboration, support and team effort, and is consistent with the company s Working Together philosophy.

The Human Resources Committee believes this philosophy is further promoted by internal compensation parity. According to Exequity, Continental s relationship between CEO compensation and the pay of the remaining four named executive officers exhibits significantly more internal pay parity than is the case among the airline peers and the companies within the general industry benchmark group. Some external observers raise concerns when CEO compensation exceeds three times either the second most highly paid executive or the average of the remaining five named executive officers. The 2009 study revealed that Mr. Kellner s compensation was 136% of Mr. Smisek s compensation and was 185% of the average compensation of the four remaining named executive officers (including

Mr. Smisek). This compares, for compensation reported in the 2008 proxies of the airline peer group, to an average of 241% for the CEO versus the second named executive officer and an average of 257% for the CEO versus the average of the four remaining named executive officers, and to averages of 246% and 317%, respectively, for the same comparisons in the general industry group.

Succession Planning. The Human Resources Committee and the board of directors periodically reviews succession planning at the executive level and in key senior management-level positions. As discussed in Compensation Benchmarking and Internal Parity of Executive Compensation above, Mr. Smisek served in a strong supporting role to Mr. Kellner since his promotion to President effective in December 2004. Following Mr. Kellner s announcement to the board that he intended to resign from the company, the Human Resources Committee and the board held a series of meetings to review the succession plan and alternatives for Mr. Kellner s successor. The committee recommended and the board concluded that Mr. Smisek s leadership role and experience overseeing nearly every aspect of the business since joining the company in 1995 made him the best candidate and clear successor for the position. The committee and Mr. Smisek remain focused on the continued development of the next generation of the company s leadership.

Compensation Risk Analysis. The role of the Human Resources Committee in risk oversight includes review of risks arising from our compensation policies, practices and programs as well as the mitigating controls, to determine whether any such risks are material to us. The committee reviewed compensation-related risk in light of the company s comprehensive risk management practices, compensation program design, the committee s process for setting performance targets and its use of certification procedures before payments are made. The company s compensation programs are designed to balance and mitigate any potential risk, including limits on payouts, cash hurdles, multi-year payouts, and clawback provisions. For further discussion of the board s role in risk oversight, please see Corporate Governance Board Oversight of Risk Management above.

Evaluation of the CEO. On an annual basis, the Human Resources Committee reviews and approves corporate goals and objectives relevant to the compensation of our CEO, evaluates our CEO s performance in light of those goals and objectives, and determines and approves our CEO s compensation based on its evaluation. In connection with the annual CEO performance review, the Human Resources Committee asks each member of the board to complete a questionnaire relating to the CEO s prior year performance and the Human Resources Committee then meets privately with the CEO to discuss the results of the evaluation. The chair of the Human Resources Committee briefs the full board in executive session, outside the presence of management, on the results of the CEO evaluation.

Timing of Stock Awards. The company has not granted the named executive officers any stock options since 2003 and has not granted them any restricted stock since 2002. The company has no current plans to grant stock options or restricted stock to its officers. Under the terms of our equity compensation plans, stock option awards are priced based on the closing price of our common stock on the date of grant. The RSU awards generally are granted at the time the Human Resources Committee establishes performance targets for the awards at the Human Resources Committee s regularly scheduled meeting in February of each year, and generally are granted to new officers in connection with their promotion. Awards to non-management board members are granted in connection with election to the board at our annual stockholder meeting and upon first election to the board for new members.

Detailed Description of Pay Elements

Based on the philosophy described above, the Human Resources Committee has developed and implemented the pay elements and programs described below to establish an appropriate balance between fixed and at risk or variable compensation elements and between absolute and relative performance, and to drive performance that both enhances stockholder value and focuses on the long-term success of the company. The company s compensation programs applicable to the years included in the Summary Compensation Table and disclosed elsewhere under Executive Compensation were adopted pursuant to the company s Incentive Plan 2000 (Incentive Plan 2000), which expired in October 2009 except for purposes of governing the terms of outstanding awards. See Incentive Plan 2000 below.

Performance Measures. The performance measures used in our incentive compensation programs include financial measures reported in our financial statements and measures that are calculated based on items included in the financials. Further information regarding our performance measures and how they are utilized in our programs is described below:

Performance Measure	Description
Cash balance	Specified minimum balance of unrestricted cash, cash equivalents, and short-term investments on the consolidated balance sheet. This performance measure is utilized in the annual incentive awards, the LTIP awards and the Profit Based RSU awards.
EBITDAR	Earnings before interest, income taxes, depreciation, amortization, aircraft rent, non-operating income (expense) and special items. Special items relate to activities that are not central to ongoing operations or are unusual in nature. EBITDAR margin is calculated as the cumulative EBITDAR for the relevant period divided by cumulative revenues for such period. EBITDAR margin is the primary performance measure utilized in our LTIP awards.
Profit-sharing	The achievement of cumulative profit sharing pools for eligible employees under the company s broad-based profit sharing plan. Profit-sharing, together with our stock price performance, are the primary performance measures utilized in our Profit Based RSU awards.
ROBIC	Annual EBITDAR divided by the sum of (a) plus (b), where (a) is the simple four-fiscal quarter average total of property and equipment (less accumulated depreciation and amortization thereon and less purchase deposits on flight equipment) set forth on the consolidated balance sheet of the company and (b) is 7.5 times annual aircraft rentals. This is the primary performance measure utilized in our annual incentive awards under Incentive Plan 2000.

Base Salaries. The base salary levels of the named executive officers are set at a level that is designed to provide sufficient fixed compensation to satisfy the company s retention objectives while allowing the company to provide a greater potential level of compensation through variable incentive performance awards. After pay and benefit reductions were implemented in 2005, the Human Resources Committee has approved base salary adjustments for the named executive officers as increases have been implemented for other company workgroups. Messrs. Kellner and Smisek each refused the 2007 and 2008 salary increases and each voluntarily waived his salary for the period of June 1, 2008 through December 31, 2008. The Human Resources Committee approved a 2.5% merit pay increase for each of the named executive officers effective January 1, 2009, consistent with the target percentage increases provided to our non-collectively bargained workgroups. Upon his promotion to Chairman, President and Chief Executive Officer effective January 1, 2010, Mr. Smisek s base salary (which he has waived unless the company is profitable for the full calendar year) was set at $730,000.

Annual Incentive Program. Since 2004 and continuing through 2009, the company s ROBIC performance has been the measure used in our Annual Executive Bonus Program adopted pursuant to Incentive Plan 2000 (referred to herein as the annual incentive program). This absolute performance measure recognizes the capital-intensive nature of the airline industry and ensures that Continental achieves a sufficient return on its capital. The ROBIC goals are established annually by the Human Resources Committee with reference to the company s annual budget and financial plan. The program sets the entry incentive opportunity at 50% and permits the Human Resources Committee to establish different levels of target and stretch incentive opportunity on an annual basis. The annual incentive program opportunities for 2009 for the named executive officers, between 50% (entry) and 150% (stretch), with a target of

125% of year-end base salary, were consistent with the opportunity levels provided for the last several years. However, target and stretch levels are reconsidered each year by the Human Resources Committee to confirm that the opportunities remain consistent with the committee s overall compensation goals discussed above. Before any payment is made for a fiscal year, even if a ROBIC performance goal is met, the annual incentive program also required the achievement of a minimum specified year-end cash balance as well as a financial performance hurdle, each of which the Human Resources Committee sets annually, recognizing that such hurdles are additional important absolute measures of the company s financial performance and liquidity. The financial performance hurdle required that the company report positive net income for the year as set forth on the

company s regularly prepared and publicly available consolidated statement of operations prepared in accordance with accounting principles generally accepted in the United States (GAAP).

The targets for 2009 under the annual incentive program were as follows: ROBIC entry of 12.5%, target of 13.5% and stretch of 16.0%, a financial performance hurdle that required the company to report positive net income for 2009, and a minimum cash balance of $2.2 billion. For 2009, the company failed to achieve entry level ROBIC performance and the financial performance hurdle and therefore no payments were made under the annual incentive program. The entry, target and stretch incentive opportunities with respect to the 2009 awards under the annual incentive program are set forth in the 2009 Grants of Plan-Based Awards table below.

Long-Term Incentive Program. The company s Long-Term Incentive and RSU Program adopted pursuant to Incentive Plan 2000 (the LTIP/RSU Program) consists of two long-term incentive components the long-term incentive program (LTIP) and the RSU program.

LTIP. The LTIP compares Continental s EBITDAR margin for a three-year performance period against the average EBITDAR margin of the designated industry peer group (American Airlines, United Airlines, Delta Air Lines, US Airways, Alaska Airlines and Southwest Airlines). The EBITDAR performance measure effectively adjusts for variations in lease versus debt financing decisions among carriers and is a widely accepted measure of financial performance in capital-intensive industries such as the airline industry. The LTIP also includes an absolute performance measure requiring that the company achieve a minimum cash balance at the end of the performance period or no LTIP payments will be made. Unless otherwise specified by the Human Resources Committee prior to the beginning of a performance period, awards are automatic under the program for the named executive officers. Incentive payment opportunities for the entry, target, and stretch levels of performance are specified in the program as a percentage of the combination of base salary plus an assumed annual incentive that varies based on the officer level of the participant. Payment amounts are calculated based on the participant s salary and position at the end of the performance period. The entry level of performance is specified in the program and requires that the company s EBITDAR margin performance is at least equal to the industry peer group average. Performance targets for the target and stretch levels of incentive opportunities are established annually by the Human Resources Committee with respect to the three-year performance period commencing at the beginning of such year.

The 2007 LTIP award, the payment of which is included as 2009 compensation in the Summary Compensation Table below, had a performance period of January 1, 2007 through December 31, 2009. The performance targets applicable to the 2007 LTIP award were as follows: entry EBITDAR margin equal to the industry group average, target EBITDAR margin equal to entry plus 50 basis points, stretch EBITDAR margin equal to entry EBITDAR margin plus 100 basis points, and a minimum cash balance of $2.0 billion. The company s EBITDAR margin performance for the 2007 LTIP award performance period exceeded the EBITDAR margin performance of the industry group by 311 basis points, thus achieving performance in excess of the stretch level. The entry, target and stretch incentive payment opportunities with respect to the 2009 LTIP award are set forth in the 2009 Grants of Plan-Based Awards table below based on the named executive officers salary and position as of December 31, 2009. In establishing performance targets for the 2009 LTIP award, the Human Resources Committee considered company and peer group performance information, determined that industry fundamentals remained largely unchanged and established 2009 LTIP award performance targets that are consistent with performance targets applicable to the 2007 and 2008 LTIP awards.

Profit Based RSUs. The company s RSU program is designed to align management s performance objectives with those of our broad employee group while measuring long-term absolute performance through Profit Based RSUs that require specified levels of profit sharing to be achieved for our co-workers as well as the achievement of a financial performance hurdle. The Profit Based RSUs can result in cash payments to participants following the achievement of a profit sharing-based performance target. The performance target

requires that the company (i) reach target levels of cumulative profit sharing under the Enhanced Profit Sharing Plan during the performance period and (ii) achieve a financial performance hurdle based on the company s net income for the fiscal year in which the cumulative profit sharing target level is met. To enhance retention and continue to focus executives attention on the creation of stockholder value,

payments related to the achievement of a performance target generally will be made in annual one-third increments to participants who remain continuously employed through the payment date (with limited exceptions in the case of death, disability, retirement or certain involuntary termination events). Amounts paid will vary depending on stock price performance immediately preceding the payment date. The first payment is made in the March following the achievement of a performance target and the second and third payments are possible in March of each of the following two years. As an additional performance requirement, the company must have a minimum cash balance at the end of the fiscal year preceding the date that any payment is made. If the company does not achieve the minimum cash balance applicable to a payment date, the payment will be deferred to the next payment date (March 1st of the next year) following achievement of the required year-end cash balance, 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 company s stock price (based on the average closing price of the company s common stock for the 20 trading days preceding the payment date), and the payment percentage set by the Human Resources Committee for achieving the applicable profit sharing-based performance target.

The Profit Based RSUs awarded for the performance period commencing April 1, 2006 and ending December 31, 2009 (the 2006 Profit Based RSUs) achieved the maximum or stretch level of performance and the first and second one-third increments were paid out in cash in March 2008 and March 2009. The March 2009 payments to the named executive officers are set forth in the Stock Awards column of the 2009 Option Exercises and Stock Vested Table below and were based on the average closing price of the company s common stock for the 20 trading days preceding March 1, 2009, or $12.32 per share. Each of these payments was made following achievement of the required year-end cash hurdle. In 2009, the Human Resources Committee awarded Profit Based RSUs with a performance period commencing January 1, 2009 and ending December 31, 2011 (the 2009 Profit Based RSUs). Depending on the level of cumulative profit sharing achieved (or, as described below, calculated) under our Enhanced Profit Sharing Plan, ranging from $100 million to $375 million, the payment percentage for these awards can range from 0% to 400% of the underlying 2009 Profit Based RSUs. The Enhanced Profit Sharing Plan expired at the end of 2009, but, as provided by the Human Resources Committee at the time of grant and in compliance with section 162(m) of the Code, performance under the 2008 and 2009 Profit Based RSU awards will be calculated based on the terms of such plan rather than the company s new profit sharing plan adopted effective beginning with calendar year 2010. Consistent with the 2009 awards under the annual incentive program, the financial performance hurdle applicable to the 2009 Profit Based RSUs requires the company to achieve positive GAAP net income and the minimum cash balance applicable to such awards is $2.2 billion. The entry, target and stretch award opportunities are outlined in the 2009 Grants of Plan-Based Awards table. The company did not achieve a profit in 2008 or 2009 and, therefore, no performance target was achieved in 2008 or 2009 with respect to the 2009 Profit Based RSUs or the Profit Based RSUs for the performance period commencing January 1, 2008 and ending December 31, 2010 (the 2008 Profit Based RSUs). In addition, no target was achieved with respect to the Profit Based RSUs awarded for the performance period commencing January 1, 2007 and ending December 31, 2009 (the 2007 Profit Based RSUs). In 2007, the company did achieve $158 million in profit sharing with respect to the 2007 Profit Based RSUs; however this was below the entry performance level for the awards and so the 2007 Profit Based RSUs expired without vesting.

Certain Other Programs. Our named executive officers may participate in company-wide plans and programs, such as group health and welfare plans, the non-pilot 401(k) plan, and the employee stock purchase plan, that are offered to the broader employee group. These programs are consistent with similar plans offered by peer and general industry companies, and are important to the recruitment and retention of executive talent.

Incentive Plan 2000. The company s annual and long-term incentive compensation programs for compensation awarded in 2009 and included in the Summary Compensation Table are adopted pursuant to the company s stockholder-approved Incentive Plan 2000, which sets forth the general terms applicable to executive incentive compensation. Incentive Plan 2000 expired in October 2009 and no further awards may be made under Incentive Plan

2000, including annual incentive awards, LTIP awards, RSU awards, stock options and restricted stock.

Incentive Plan 2010. Following the expiration of Incentive Plan 2000, the Human Resources Committee considered and recommended, and the board has adopted, Incentive Plan 2010. Incentive Plan 2010 is a new incentive plan and is being submitted for approval by the company s stockholders at the meeting. See Proposal 2: Approval of Incentive Plan 2010 below.

Perquisites. We provide executives with certain perquisites similar in form and amount to those offered to executives at similar levels at companies within the airline industry and general industry groups. We believe that providing a portion of compensation to our executive officers in the form of perquisites, rather than in cash, enhances retention, results in a cost savings to Continental and strengthens our relationships with our executives. For example, flight benefits provide our executives and non-management directors the advantage of product familiarization and brand identification. The incremental cost to the company of providing flight benefits is minimal, while we believe the value of these benefits to the named executive officers is perceived by them to be high. With respect to in-kind tax preparation services, the Human Resources Committee believes this is an important benefit to ensure that executives complete their tax preparation obligations in a timely and accurate manner. Executive perquisites are discussed in the footnotes to the Summary Compensation Table.

SERP. The company maintains supplemental executive retirement plans (SERP) for the named executive officers that provide an annual retirement benefit expressed as a percentage of the executives final average compensation. Since final average compensation is capped in the benefit formula applied under the company s defined benefit pension plan, the SERP provides an opportunity for the named executive officers to earn supplemental retirement benefits. When combined with the benefit payable from the Continental Retirement Plan (CARP), the annual retirement benefit could range up to 75% of final average compensation for Mr. Smisek if he achieves 30 years (the capped amount) of SERP credited service or up to 65% of final average compensation for Messrs. Rowe, Compton, and Moran if they achieve 26 years (the capped amount) of SERP credited service. Mr. Kellner resigned effective December 31, 2009 with 25 years of SERP credited service and a benefit of 62.5% of his final average compensation. Because the benefits provided under the CARP are not subject to Medicare tax, the company previously has agreed to reimburse the named executives for the Medicare tax obligations related to the SERP so that the SERP benefits are treated on a similar basis to the CARP benefits. The Human Resources Committee believes that the SERP serves as an important and effective long-term retention incentive. The benefit formulas and the compensation limitations applicable to the SERP and the defined benefit pension plan are described below under Pension Benefits.

Other Executive Compensation Matters

Outlined below is certain additional information with respect to the company s compensation policies and practices.

Employment Agreements. We have entered into employment agreements with each of our named executive officers. For a discussion of the material terms of these agreements, please see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements below. The committee believes that employment agreements enhance the company s ability to recruit and retain the best available talent and also define maximum termination-related liabilities.

Confidentiality and Non-Competition Agreements. Following the departure of several members of our management team to our competitors and the company s strategic decision to join Star Alliance, the Human Resources Committee considered expanding the confidentiality and non-competition obligations of certain members of senior management. Mr. Kellner s employment agreement included a non-compete obligation for a period of two years following termination of his employment. In April 2009, we entered into Confidentiality and Non-Competition Agreements with Messrs. Smisek, Rowe, Compton, and Moran that include an 18-month non-compete obligation following termination of the executive s employment, except if such termination is by the company for a reason other than Cause (including a non-renewal of the employment agreement) or by the executive for Good Reason. The non-compete provisions

prohibit the named executive officers from serving in an executive, advisory or consulting capacity for any passenger air carrier in the U.S. or in any foreign country in which the company has an office, station or branch as of the date of termination of employment with the company. To induce

the officers to enter into the Confidentiality and Non-Competition Agreements, the company paid $1,125,000 to Mr. Smisek and $750,000 to each of Messrs. Rowe, Compton, and Moran.

Stock Ownership Guidelines. The company s board has adopted minimum stock ownership guidelines. For a discussion of the minimum ownership guidelines for our named executive officers, please see Corporate Governance Corporate Governance Guidelines Minimum Stock Ownership above. The board believes that continued stock ownership by executives and non-management directors helps tighten the alignment among the interests of board members, executives, and stockholders.

Trading Policy. Our securities trading policy prohibits our officers and directors from trading in options, warrants, puts and calls or similar instruments on our securities and from engaging in short sales of our securities or transactions that are substantially equivalent to short sales.

Payments Upon Termination or Change in Control. Our executives employment agreements and our existing compensation programs require us to make certain payments or provide certain benefits to our named executive officers upon termination of employment, including a termination in connection with a change in control of Continental. Talk of consolidation has been prevalent in the airline industry over the last decade, and some consolidations have occurred, such as the mergers of America West with US Airways and Delta with Northwest. Our Human Resources Committee periodically reviews our change in control arrangements and believes that (i) compensation must be structured in a manner that quantifies the risk to the executives related to a change in control and permits them to remain focused on our business before, during and after any such transaction and (ii) our highly regarded management team is a unique corporate asset and change in control or termination protections (including the excise tax protection described in Tax Matters below) enhance executive stability and therefore are in the best interests of the company and its stockholders. Through 2009, such protections continued to represent majority practice among large, publicly traded companies, especially those within consolidating industries. The Human Resources Committee believes that the company s protections are generally consistent with those maintained by comparable organizations, and that such protections represent part of a competitive overall compensation program for our executives. For a discussion of the potential payments to our named executive officers upon termination or change in control, please see Potential Payments Upon Termination or Change in Control below.

Clawback Policy. The annual incentive program provides that a participant must reimburse the company for the full amount of any annual incentive paid to such participant if the participant s misconduct (as defined in the program) results in an error in the company s financial information that has the effect of increasing the amount of such incentive payment. Incentive Plan 2010 includes the same provisions which will be applicable to all awards granted pursuant to Incentive Plan 2010, if adopted by stockholders. In addition, Incentive Plan 2010 also provides that the Human Resources Committee may adjust compensation as necessary, in its sole discretion, if there is a material restatement of the company s financial statements that affects financial information used in determining compensation paid to a participant.

Tax Matters. In designing and implementing the programs applicable to executives, the Human Resources Committee considers the effects of applicable sections of the Code, including section 162(m), section 4999, and section 409A. Section 162(m) denies publicly held companies a tax deduction for annual compensation in excess of one million dollars paid to their chief executive officer or any of their three other most highly compensated executive officers (excluding the CFO) employed on the last day of a given year, unless their compensation is based on qualified performance criteria or certain other exceptions apply. To qualify for deductibility as performance-based compensation, the performance criteria must be established within specified periods by a committee of independent directors and approved, as to their material terms, by that company s stockholders. Continental s executive compensation plans, including the annual incentive program, the LTIP/RSU Program, and its stock incentive plans, were designed to permit the grant of awards that could qualify as performance-based compensation under

section 162(m). Certain awards have been made under the LTIP/RSU Program to address specific retention concerns with respect to certain executives that do not meet the requirements for an exemption as performance-based compensation. However, the Human Resources Committee considered the deductibility of payments related to such awards and concluded that, while not deductible, the awards serve the best interests of the company and its stockholders. Further, the Human Resources Committee may in the future approve compensation or changes to

plans, programs or awards that may cause the compensation or awards not to comply with section 162(m) if it determines that such action is appropriate and in the company s best interests. Although the federal income tax deduction for some amounts recorded as compensation by the company to certain executives may be limited by section 162(m), that limitation does not result in the current payment of increased federal income taxes by the company due to its significant net operating loss carry forwards.

Section 4999 of the Code imposes an excise tax on so-called excess parachute payments made to an executive in connection with a change in control as described in section 280G of the Code. In light of evolving best practices in executive compensation, the Human Resources Committee adopted a policy in April 2009 that the company will no longer provide reimbursement for such excise taxes to officers who did not, as of the date of the adoption of the policy, have a contractual right to such benefits. All of our named executive officers had a contractual right to such benefits prior to the date of the adoption of the policy. These benefits are discussed below under Potential Payments Upon Termination or Change in Control Change in Control Reimbursement for Excise Taxes. Although amounts paid to the named executive officers for this additional tax protection may not be deductible, there would be no impact to the company s current federal income taxes due to our significant net operating loss carry forwards. The committee s policy also eliminates tax gross-ups on post-separation perquisites provided to officers who did not, as of the date of the adoption of the policy, have a contractual right to such benefits. The committee s policy retains the flexibility to offer such reimbursements in limited circumstances if the committee determines that providing such reimbursements is in the best interest of the company and its stockholders. In May 2009, the board adopted amendments to the company s Corporate Governance Guidelines to provide that the company will not provide tax reimbursements on post-separation perquisites to any newly-elected non-management director after such date.

Section 409A of the Code imposes significant additional taxes on non-exempt deferred compensation that does not comply with the requirements of section 409A of the Code. Our employment agreements and compensation programs are structured to avoid the imposition of such additional taxes and to comply with the provisions of section 409A.

Report of the Human Resources Committee

The Human Resources Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K of the Securities Exchange Act of 1934, as amended. Based on such review and discussions with management, the Human Resources Committee has recommended that the Compensation Discussion and Analysis be included in this proxy statement and the company s Annual Report on Form 10-K for the year ended December 31, 2009.

Respectfully submitted,

Human Resources Committee

Charles A. Yamarone, Chairman
Kirbyjon H. Caldwell
Henry L. Meyer III
Ronald B. Woodard

Compensation of Executive Officers

The following table sets forth information concerning the compensation of our chief executive officer, our chief financial officer, and our three other most highly compensated executive officers in 2009 (collectively referred to in this proxy statement as the named executive officers). Mr. Kellner served as Chairman and Chief Executive Officer throughout 2009. Mr. Smisek served as President and Chief Operating Officer throughout 2009. Mr. Kellner resigned from the company on December 31, 2009. Mr. Smisek was promoted to the position of Chairman, President and Chief Executive Officer effective January 1, 2010.

Summary Compensation Table

d Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(4)***	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	
e W. Kellner*	2009	730,313	0	0	0	2,464,806	623,082	114,786	3,
hairman and Chief	2008	296,875(2)	0	0	0	1,939,781(2)	1,335,525	34,965	3,
e Officer *Resigned*	2007	712,500	0	0	0	3,289,078	721,608	45,549	4,
. Smisek*	2009	590,400	0	0	0	1,793,340	719,393	1,217,734	4,
, President and Chief	2008	240,000(2)	0	0	0	1,411,344(2)	1,347,572	65,846	3,
e Officer	2007	576,000	0	0	0	2,475,576	765,172	75,200	3,
Rowe**	2009	383,908	0	0	0	863,793	53,791	795,758	2,
e Vice President	2008	299,115	0	0	0	720,529	30,810	18,607	1,
f Financial Officer									
Compton	2009	383,908	0	0	0	863,793	324,486	800,809	2,
e Vice President &	2008	370,872	0	0	0	720,529	557,172	54,264	1,
rketing Officer	2007	363,300	0	0	0	1,317,101	324,892	42,034	2,
Moran	2009	383,908	0	0	0	863,793	243,426	820,074	2,
e Vice President &	2008	370,872	0	0	0	720,529	373,596	56,741	1,
erations Officer	2007	363,300	0	0	0	1,317,101	216,479	62,000	1,

* Mr. Kellner resigned from the company on December 31, 2009. Mr. Smisek was promoted to the position of Chairman, President and Chief Executive Officer effective January 1, 2010.

** Mr. Rowe was promoted to Executive Vice President and Chief Financial Officer on August 31, 2008.

*** Compensation included in the Non-Equity Incentive Plan Compensation column is set forth below:

Name	Year	Annual Incentive Program ($)	Long-Term Incentive for Three Year Period Ended 12/31 of Year ($)	Total Non-Equity Incentive Plan Compensation ($)
Lawrence W. Kellner	2009	0	2,464,806	2,464,806
	2008	0	1,939,781	1,939,781
	2007	1,020,656	2,268,422	3,289,078
Jeffery A. Smisek	2009	0	1,793,340	1,793,340
	2008	0	1,411,344	1,411,344
	2007	825,120	1,650,456	2,475,576
Zane C. Rowe	2009	0	863,793	863,793
	2008	0	720,529	720,529
James E. Compton	2009	0	863,793	863,793
	2008	0	720,529	720,529
	2007	526,014	791,087	1,317,101
Mark J. Moran	2009	0	863,793	863,793
	2008	0	720,529	720,529
	2007	526,014	791,087	1,317,101

(1) The 2009 salary amounts include a 2.5% merit pay increase approved by the Human Resources Committee for each of the named executive officers effective January 1, 2009, consistent with the target percentage increases provided to our non-collectively bargained workgroups. The 2007 and 2008 salary amounts for

Messrs. Compton and Moran include a 2% salary increase approved by the Human Resources Committee and effective in July 2007 and July 2008 respectively, consistent with the increase implemented for all employee workgroups other than flight attendants. Messrs. Kellner and Smisek voluntarily declined each of the 2007 and 2008 salary adjustments. Upon his promotion to executive vice president and chief financial officer in 2008, the Human Resources Committee set Mr. Rowe s annual salary at the same level as the salary paid to each of Messrs. Compton and Moran, consistent with the pay parity philosophy discussed in Compensation Discussion and Analysis Process and Oversight Internal Parity of Executive Compensation above.

(2) In recognition of the company s decision to reduce capacity and eliminate positions in 2008, Messrs. Kellner and Smisek each voluntarily waived his salary for the period of June 1, 2008 through December 31, 2008, representing a waiver of $415,625 and $336,000 in compensation, respectively, and voluntarily withdrew from the annual incentive program for 2008.

(3) The amounts in this column reflect the grant date fair value of Profit Based RSUs granted in the year shown. The grant date fair value of the Profit Based RSUs has been determined based on the performance threshold that the company believed to be probable of achievement at the date of grant, not the amounts that were or may be realized by the executives. For each of the years 2007, 2008, and 2009, the amounts shown in the table reflect that the awards were not probable of achievement on the grant date. See Compensation Discussion and Analysis Philosophy Pay for Performance and Compensation Discussion and Analysis Detailed Description of Pay Elements Long-Term Incentive Program above for a discussion of the rationale for using absolute and relative performance measures in the company s executive compensation. The following table reflects the maximum value of the Profit Based RSUs assuming that the awards vested at their maximum or stretch level based on the closing price of the company s common stock on the grant date of the awards:

	Maximum Value of Profit Based RSUs		
Name	**2007 Grant ($) (a)**	**2008 Grant ($) (b)(d)**	**2009 Grant ($) (c)(d)**
Lawrence W. Kellner	2,582,400	3,583,200	3,339,000
Jeffery A. Smisek	3,704,400	2,508,240	2,337,300
Zane C. Rowe	1,291,200	1,455,000	1,869,840
James E. Compton	1,721,600	1,940,900	1,869,840
Mark J. Moran	1,721,600	1,940,900	1,869,840

(a) Represents the maximum value of the 2007 Profit Based RSUs at $43.04 per share for the awards granted February 23, 2007 to each of the named executive officers and $38.81 for an award granted April 24, 2007 to Mr. Smisek for retention purposes. The 2007 Profit Based RSUs expired December 31, 2009 after no performance threshold was achieved during the performance period. No amount has or will be paid for these awards.

(b) Represents the maximum value of the 2008 Profit Based RSUs at $29.86 per share for the awards granted February 20, 2008 to Messrs. Kellner, Smisek, Compton, and Moran and $29.10 for the award granted February 21, 2008 to Mr. Rowe.

(c) Represents the maximum value of the 2009 Profit Based RSUs at $11.13 per share for the awards granted to each of the named executive officers on February 18, 2009.

(d) At December 31, 2009, the Profit Based RSUs granted in 2008 and 2009 were not probable of achieving a performance threshold. Mr. Kellner s 2008 and 2009 Profit Based RSU awards terminated without payment upon his resignation on December 31, 2009.

For a discussion of the assumptions relating to the valuations for the 2007, 2008 and 2009 Profit Based RSUs, see (i) Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Stock-Based Compensation, in the company s annual report on Form 10-K for the year ended December 31, 2007 (the 2007 Form 10-K) and the 2008 Form 10-K, (ii) Note 9 to the consolidated financial statements included in Item 8 of the 2008 Form 10-K and 2009 Form 10-K, and (iii) Note 8 to the consolidated financial statements included in Item 8 of the 2007 Form 10-K, respectively.

(4) The 2009 amounts represent payments with respect to LTIP awards for the three-year performance period ended December 31, 2009, which were paid in 2010 based on the company s achievement of performance above the stretch level. No amounts were earned in 2009 under the company s annual incentive program.

(5) The 2009 amounts represent the difference in the present value of accumulated benefits determined as of December 31, 2009 and December 31, 2008 for both the CARP and SERP. The change in pension value reflects the impact of a variety of factors, including passage of time, change in assumptions, and change in the accrued benefit (which includes additional credited service, changes in final average compensation, and changes in the average Social Security wage base).

The pension values include the estimated Medicare tax gross-up described in more detail in Pension Benefits below. The change in pension values for 2007 and 2008 differ by immaterial amounts from those previously reported to reflect the amount of the estimated Medicare tax gross-up that was not included in prior years.

The change in pension value for 2009 is generally smaller than 2008 because, with the exception of Mr. Rowe, 2009 pay was smaller than at least five years pay in the last ten years so final average compensation did not change between December 31, 2008 and December 31, 2009 for the other named executive officers. The change in pension value for 2008 is larger than 2007 due to the impact of 2008 compensation and changes in the assumption used to calculate the present value of accumulated benefits as of December 31, 2008. For all of the named executive officers, 2008 compensation was in excess of at least one year that previously had been used in the final average compensation, so the average increased from December 31, 2007 to December 31, 2008. The discount rate and lump sum interest rate used in the calculations both decreased, which also resulted in an increase in the present value of accumulated benefits.

(6) The All Other Compensation column consists of items not reported in the other columns of this table, and for each named executive officer includes perquisites and other personal benefits, term life insurance, matching contribution benefits reinstated in 2009 pursuant to company s non-pilot 401(k) plan, tax reimbursements relating to flight benefits and term life insurance, and reserved parking at the company s headquarters. The amounts shown for Messrs. Smisek, Rowe, Compton and Moran for 2009 include payments by the company to induce the officers to enter into Confidentiality and Non-Competition Agreements as follows: $1,125,000 to Mr. Smisek and $750,000 to each of Messrs. Rowe, Compton, and Moran. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements Agreements with Other Named Executive Officers. Mr. Kellner s 2009 compensation includes flight benefits, a tax reimbursement relating to flight benefits in the amount of $29,637, financial planning and tax services, $56,176 for unused vacation, which was paid following his resignation, and reserved parking at Houston s George Bush Intercontinental Airport (IAH). Mr. Smisek s 2009 compensation includes flight benefits, a tax reimbursement relating to flight benefits in the amount of $23,613, a car benefit, financial planning and tax services, legal services in connection with his promotion to Chairman, President and CEO, health club membership dues and reserved parking at IAH. Mr. Rowe s 2009 compensation includes flight benefits, a tax reimbursement relating to flight benefits in the amount of $20,762, financial planning and tax services and health club membership dues. Mr. Compton s 2009 compensation includes flight benefits, a tax reimbursement relating to flight benefits in the amount of $12,370, a car benefit, and health club membership dues. Mr. Moran s 2009 compensation includes flight benefits, a tax reimbursement relating to flight benefits in the amount of $23,728, a car benefit, financial planning and tax services, and health club membership dues. With respect to the car benefit, we calculated the incremental cost to the company of the executive s allocated percentage (as specified by the executive for tax purposes) of personal use of a company car based on the company s actual lease payments or depreciation expense (in the case of purchased vehicles), loss on trade-in of purchased vehicles, insurance, tax, registration and other miscellaneous costs related to the use and maintenance of the automobile. Flight benefits allow the named executive officers

and their family members and significant others effectively unlimited travel on Continental Airlines, Continental Micronesia, and Continental Express. Our calculation of the incremental cost to the company of providing flight benefits to the named executive officers includes incremental fuel, meal expense (by cabin), passenger liability insurance, war risk insurance and OnePass miles earned. The executives receive a tax reimbursement relating to flight benefits, calculated based on the IRS valuation of the benefit (which value is greater than the incremental cost to the company of providing such benefits). In addition, the named executive officers have access to certain other travel-related benefits,

such as access to our Presidents Club facilities and OnePass Elite status for the executives and their immediate family members, complimentary car rentals provided by our travel partners, and flight benefits on certain airline partners.

2009 Grants of Plan-Based Awards

The following table sets forth information regarding awards granted in 2009 to our named executive officers under our annual incentive program and the LTIP/RSU Program, each of which was implemented under our Incentive Plan 2000.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exerci or Base Price of Optio Awar
	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)(4)	Target (#)(4)	Maximum (#)(4)	(#)	(#)	($/Sh
ce										
	2/18/09(1)	365,157	912,891	1,095,470						
	2/18/09(2)	1,232,403	1,643,204	2,464,806						
	2/18/09(3)				75,000	112,500	300,000			
A.										
	2/18/09(1)	295,200	738,000	885,600						
	2/18/09(2)	929,880	1,195,560	1,793,340						
	2/18/09(3)				52,500	78,750	210,000			
	2/18/09(1)	191,954	479,885	575,862						
	2/18/09(2)	431,897	647,845	863,793						
	2/18/09(3)				42,000	63,000	168,000			
.										
n	2/18/09(1)	191,954	479,885	575,862						
	2/18/09(2)	431,897	647,845	863,793						
	2/18/09(3)				42,000	63,000	168,000			
	2/18/09(1)	191,954	479,885	575,862						
	2/18/09(2)	431,897	647,845	863,793						
	2/18/09(3)				42,000	63,000	168,000			

(1) Annual incentive award for 2009 granted pursuant to the company s annual incentive program. No amounts were earned or paid for these awards. Amounts disclosed are based on the salary and position of each named executive officer as of December 31, 2009.

(2) LTIP award for the three-year performance period January 1, 2009 through December 31, 2011 granted pursuant to the LTIP/RSU Program. Amounts disclosed are based on the salary and position of each named executive officer as of December 31, 2009. Mr. Kellner s award terminated without payment upon his resignation on December 31, 2009.

(3) 2009 Profit Based RSUs granted pursuant to the LTIP/RSU Program. Mr. Kellner s award terminated without payment upon his resignation on December 31, 2009.

(4) The values in this column reflect share equivalents, not cash payout values.

(5) Represents the grant date fair value of the 2009 Profit Based RSUs based on the performance threshold that the company believed to be probable of achievement at the date of grant, not the amounts that were or may be realized by the executives with respect to these awards. The amounts shown in the table reflect that the awards were not probable of achievement of the entry level on the grant date.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

Agreement with Former CEO. Mr. Kellner, our former CEO, announced in July 2009 that he would resign his positions with the company at the end of 2009. We did not enter into any additional agreements with Mr. Kellner in connection with his resignation, and his termination benefits were determined pursuant to his employment agreement with the company. In order to comply with section 409A of the Code, we entered into an amended and restated employment agreement with Mr. Kellner effective October 15, 2007 relating to his service as an officer and

director of the company. The agreement entitled him to an annual performance incentive and long-term incentive payment opportunities at a level not less than the highest participation level made available to other company executives. In addition, Mr. Kellner participated in a SERP that, when combined with the benefit payable from the CARP, provided him an annual retirement benefit expressed as a percentage (that could range up to 75% depending on his final years of service credit (capped at 30 years)) of his final average compensation as defined in his employment agreement. He also was entitled to participate in the compensation and benefit plans available to all management employees, receive company-provided disability benefits and life insurance, flight benefits, certain tax indemnity payments (some of which may not be deductible by the company), use of a company provided automobile (which benefit Mr. Kellner declined), and certain other fringe benefits. Mr. Kellner s employment agreement also included a two-year non-compete provision with the company following termination of his employment, except if such termination is by the company without Cause or upon his disability or by Mr. Kellner for Good Reason. The non-compete provision is currently in effect and prohibits Mr. Kellner, until January 2012, from serving in an executive, advisory or consulting capacity for any passenger air carrier in the U.S. or in any foreign country in which the company has an office, station or branch as of the date that Mr. Kellner terminated his employment. In addition, if any payment or benefit to Mr. Kellner were determined to be subject to an excise tax (including any such tax arising under section 4999 of the Code upon a change in control), Mr. Kellner would be entitled to receive an additional payment to adjust for the incremental tax cost of the payment or benefit. The benefits that the company is required to provide Mr. Kellner in connection with his resignation are discussed below under Potential Payments Upon Termination or Change in Control.

Agreements with Other Named Executive Officers. In order to comply with section 409A of the Code, we entered into amended and restated employment agreements effective October 15, 2007 with Messrs. Smisek, Compton, and Moran relating to their services as officers of the company. Our employment agreement with Mr. Rowe became effective as of September 1, 2008 in connection with his promotion to executive vice president and chief financial officer. Mr. Rowe s agreement is similar to the agreements with the other executive vice presidents. Each of the agreements includes successive automatic one-year extensions after the base term of the agreement. Each agreement is similar to that of Mr. Kellner s, except that the SERP for Messrs. Rowe, Compton, and Moran, when combined with the CARP benefit, provides a maximum annual retirement benefit that could range up to 65% depending on his final years of service (capped at 26 years). In addition, under the agreements with Messrs. Rowe, Compton, and Moran, a more limited formula is used to calculate termination payments as further discussed below under Potential Payments Upon Termination or Change in Control Termination by the Company without Cause ; Termination by the Executive for Good Reason ; or Company Non-renewal. On April 23, 2009, we entered into Confidentiality and Non-Competition Agreements with Messrs. Smisek, Rowe, Compton, and Moran that include an 18-month non-compete obligation following termination of the executive s employment, except if such termination is by the company for a reason other than Cause (including a non-renewal of the employment agreement) or by the executive for Good Reason. The scope of the non-competition obligations is parallel to the scope of the obligations applicable to Mr. Kellner as described above. To induce the officers to enter into the Confidentiality and Non-Competition Agreements, the company paid $1,125,000 to Mr. Smisek and $750,000 to each of Messrs. Rowe, Compton, and Moran. See also Compensation Discussion and Analysis Other Executive Compensation Matters Confidentiality and Non-Competition Agreements.

In connection with his election to succeed Mr. Kellner in the positions of Chairman and CEO, we entered into a letter agreement with Mr. Smisek dated September 30, 2009 to clarify the terms of his employment agreement in light of his new positions and responsibilities. In connection with his promotion, Mr. Smisek has entered into an agreement with the company dated January 4, 2010 pursuant to which he has agreed to forego his annual salary of $730,000 and any annual bonus that would otherwise be earned for each calendar year beginning January 1, 2010 unless the company makes a profit for such full calendar year. If Mr. Smisek dies or becomes disabled or if his employment is terminated by the company without Cause or by Mr. Smisek for Good Reason, then the company would pay Mr. Smisek all salary and annual bonus amounts that have not been paid as a result of the waiver agreement. In the agreement,

Mr. Smisek acknowledges that his participation in certain benefits, such as the company s 401(k) plan and employee stock purchase plan, will be impacted by his salary and annual bonus waiver. The company also agrees that if the salary and annual bonus waiver impacts Mr. Smisek s participation in welfare benefit plans such as life insurance or disability, it will provide him equivalent benefits at no additional cost. The agreement further provides that the salary and annual bonus waiver will not otherwise affect Mr. Smisek s rights

under his employment agreement, including, without limitation, Mr. Smisek s right to participate in any long term incentive program maintained by the company and the calculation of benefits based on salary or annual bonus level.

Annual Incentive Program

Annual performance incentive payment opportunities under the annual incentive program depend on achievement of an absolute level of Continental s capital efficiency, cash flow and financial results. Under the program, the Human Resources Committee can establish different levels of target and stretch incentive opportunity on an annual basis. The capital efficiency performance measure is Continental s ROBIC or return on base invested capital. The ROBIC goals are reviewed and new entry, target and stretch ROBIC goals are established annually by the committee. Under the program, the committee also may establish an annual financial performance hurdle, which for 2009 required positive GAAP net income. The program also requires a year-end minimum cash balance amount that is set by the committee each year. If either the financial performance hurdle or the minimum cash balance is not achieved, no payments are made, regardless of our ROBIC performance.

For 2009, the company failed to achieve the entry ROBIC performance target and the financial performance hurdle. Therefore, no payment was made under the annual incentive program with respect to 2009 performance. The potential but unrealized value of the 2009 awards is included in the 2009 Grants of Plan-Based Awards table.

Long-Term Incentive Program

LTIP. Payouts under the LTIP/RSU Program are based on Continental s EBITDAR margin for a three-year performance period as compared against an industry group and the achievement of a minimum cash balance. For the performance period of January 1, 2007 through December 31, 2009, performance targets were set by the Human Resources Committee so that executives would earn (i) nothing for EBITDAR margin performance below peer group average performance, (ii) below market incentives for EBITDAR margin performance equal to peer group average performance, (iii) graduated payments up to market average incentives for above average EBITDAR margin performance, and (iv) graduated payments up to above market average incentives for superior EBITDAR margin performance. The LTIP awards also require a minimum cash balance at the end of the performance period set by the committee for each performance period. If this required minimum cash balance amount is not achieved, no LTIP payments will be made, regardless of relative EBITDAR margin performance. For the three-year LTIP performance period ending December 31, 2009, the company s EBITDAR margin exceeded peer group average EBITDAR margin performance by 311 basis points, thus achieving a level of performance above the stretch award level. The company also satisfied the minimum cash balance of $2.0 billion and the resulting payouts are included as 2009 compensation in the Summary Compensation Table s Non-Equity Incentive Plan Compensation column.

Profit Based RSUs. Profit Based RSUs require the achievement of profit sharing-based performance targets set by the Human Resources Committee at the time the Profit Based RSU awards are granted. The performance targets require that the company (i) reach target levels based on the cumulative profit sharing pools for participants under the company s Enhanced Profit Sharing Plan and (ii) achieve a financial performance hurdle based on the company s net income for the fiscal year in which the cumulative profit sharing target level is met. Once a performance target has been met, the Profit Based RSU awards will pay out in cash in an amount equal to the number of RSUs awarded multiplied by the product of (i) the average closing price of the company s common stock for the 20 trading days preceding the payment date and (ii) the target percentage set by the committee for the achievement of the target.

Payments with respect to achieving a performance target will be made in one-third increments. Under the program, if a target is achieved for a fiscal year, payments generally will be made on the first day of the 3rd month, 15th month and 27th month after the end of the year for which the target is met. Before a payment can be made, the company must satisfy the minimum cash balance set by the committee ($2.2 billion for the 2009 Profit Based RSUs). If the minimum

cash balance is not met at the end of the fiscal year preceding any payment date, the payment will be deferred to the next year until the minimum cash balance is met (subject to a maximum number of deferrals). In addition, participants must remain continuously employed through the payment date to receive a payment, with limited exceptions in the case of death, disability, retirement and certain involuntary termination events. For the named executive officers, the grant date fair value of the Profit Based RSUs based on the

performance threshold probable of being achieved is included in the Summary Compensation Table s Stock Awards column and the 2009 Grants of Plan-Based Awards table. No amounts are included in these tables because the awards were not probable of achievement of the entry level on the grant date.

Outstanding Equity Awards at Fiscal Year-End

None of the named executive officers held any stock options or restricted stock awards as of December 31, 2009. As described above in Compensation Discussion and Analysis , the Profit Based RSUs are designed to align management s interests with our stockholders interests in a manner similar to stock option or restricted stock awards. Profit Based RSUs remain at risk for any share price decline that occurs before the relevant payment dates, which are spread over multi-year periods. Any payout amounts vary based on the company s stock price performance. Profit Based RSUs are paid in cash and actual payout percentage levels vary based on the company s achievement of profit sharing targets during the applicable performance period.

The following table sets forth information regarding unexercised stock options and unvested equity incentive plan awards for each named executive officer as of December 31, 2009.

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(2)**
Lawrence W. Kellner(3)	0	0	0			0	0	0	0
Jeffery A. Smisek	0	0	0			0	0	190,125	3,283,459
Zane C. Rowe	0	0	0			0	0	112,000	1,934,240
James E. Compton	0	0	0			0	0	153,250	2,646,628
Mark J. Moran	0	0	0			0	0	153,250	2,646,628

(1) This includes (i) the final one-third of the 2006 Profit Based RSUs (at the maximum or stretch level of performance, which has been achieved), (ii) the 2008 Profit Based RSUs (assuming achievement of the threshold or entry level of performance), and (iii) the 2009 Profit Based RSUs (assuming achievement of the threshold or entry level of performance). No amounts are included for the 2007 Profit Based RSUs because the threshold or entry level of performance was not achieved and, therefore, the awards expired unvested on December 31, 2009. At December 31, 2009, the 2008 and 2009 Profit Based RSUs were not probable of achieving a performance threshold. Profit Based RSUs require the achievement of a profit sharing-based target level and a financial performance hurdle and require a minimum cash balance prior to each payment date. Profit Based RSUs also are subject to continued employment through the applicable payment date, subject to limited exceptions.

(2) This reflects the value at December 31, 2009 of the awards included in footnote (1)(i), (ii) and (iii) above at $17.27 per share (the average closing price of the company s common stock for the 20 trading days preceding December 31, 2009). However, at December 31, 2009, the 2008 and 2009 Profit Based RSUs were not probable of achieving a performance threshold and therefore payments were not probable with respect to the awards included in footnote (1)(ii) and (1)(iii) above.

(3) Mr. Kellner s outstanding Profit Based RSUs terminated pursuant to the terms of the awards upon his resignation on December 31, 2009.

2009 Option Exercises and Stock Vested

No stock options have been granted to the named executive officers since 2003 and none of the named executive officers held or exercised any stock options during 2009. No restricted stock has been granted to the named executive officers since 2002 and none of the named executive officers held any shares of restricted stock during 2009.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)(1)**	**Value Realized on Vesting ($)(2)**
Lawrence W. Kellner	0	0	112,500	1,386,000
Jeffery A. Smisek	0	0	95,625	1,178,100
Zane C. Rowe	0	0	45,000	554,400
James E. Compton	0	0	78,750	970,200
Mark J. Moran	0	0	78,750	970,200

(1) This reflects the vesting of the second one-third of the 2006 Profit Based RSUs, which achieved the maximum or stretch level of performance and were paid out in March 2009.

(2) This represents the value of the second one-third payment related to the 2006 Profit Based RSUs described in footnote (1) above at $12.32 per share (the average closing price of the company s common stock for the 20 trading days preceding the March 2009 payment date).

Pension Benefits

The following table sets forth information as of December 31, 2009 for each named executive officer concerning the present value of his accumulated benefits under (i) the CARP and (ii) the SERP provided under his employment agreement.

Name	**Plan Name**	**Number of Years Credited Service (#)(1)**	**Present Value of Accumulated Benefit ($)(2)**	**Payments During Last Fiscal Year ($)**
Lawrence W. Kellner	CARP	14.6	166,199	0
	SERP	25	6,388,782	0
Jeffery A. Smisek	CARP	14.8	223,441	0
	SERP	25	7,347,508	0
Zane C. Rowe	CARP	16.5	90,817	0

	SERP	3.4	59,528	0
James E. Compton	CARP	14.9	208,582	0
	SERP	15	2,420,274	0
Mark J. Moran	CARP	15.6	214,956	0
	SERP	9	1,268,520	0

(1) Years of credited service recognized under the SERP differ from actual service with the company. Actual company service is shown with respect to the CARP.

(2) The present value is based on the benefit accrued as of the measurement date and does not assume any future accrual of credited service or compensation increases. The assumptions used to calculate the present value of accumulated benefits under CARP and SERP, including those shown in the Summary Compensation Table, are set forth in the table below. These assumptions are primarily the same as those used for pension plan accounting under FASB ASC Topic 715-20 Compensation Retirement Benefits Defined Benefit Plans General (ASC 715-20), as of each measurement date with three exceptions: pre-retirement mortality, pre-retirement turnover, and the age at which participants are assumed to retire.

The SERP amounts shown in this proxy statement reflect an estimated Medicare tax gross-up that is expected to be paid in the same year the SERP benefit is paid. This gross-up for Medicare taxes is provided in the employment agreement for each of the named executive officers so that the SERP benefits are treated on a similar basis to the CARP benefits.

	Measurement Date			
Assumption	**12/31/2006**	**12/31/2007**	**12/31/2008**	**12/31/2009**
Discount Rate CARP & SERP	5.98%	6.40%	6.16%	6.15%
Lump Sum Interest Rate:				
CARP	4.98%	6.25%	6.01%	6.00%
SERP	5.98%	6.40%	6.16%	6.15%
Lump Sum Election	100%	100%	100%	100%
Pre-retirement Turnover	None	None	None	None
Mortality Assumption:				
Pre-retirement	None	None	None	None
Lump Sum	GAR 94 Unisex	2008 IRS 417(e) Table	2009 IRS 417(e) Table	2010 IRS 417(e) Table
Assumed Retirement Age (earliest unreduced age):				
CARP	Age 65	Age 65	Age 65	Age 65
SERP	Age 60	Age 60	Age 60	Age 60

CARP. The CARP is a non-contributory, defined benefit pension plan in which substantially all of our non-pilot domestic employees (including the named executive officers) are entitled to participate. In addition, Continental maintains the Continental Pilots Retirement Plan (CPRP) for its pilots, which is also a non-contributory defined benefit plan. Effective May 31, 2005, no additional benefit accruals occur under the CPRP for pilot employees. Instead, retirement benefits accruing in the future are provided through two pilot-only defined benefit contribution plans. The company maintains these retirement benefit plans because they represent an important part of the long-term financial security for our employees and enhance the financial value of continued employment with Continental. Continental contributed $176 million to its tax qualified defined benefit pension plans in 2009, satisfying its minimum funding requirements during calendar year 2009.

The CARP benefit is based on a formula that utilizes final average compensation and service while one is an eligible employee of the company. Compensation used to determine benefits is regular pay, which includes salary deferral elections under broad-based employee programs (such as the company s 401(k) plan), but excludes bonuses, taxable income derived from group term life insurance, payments pursuant to profit sharing plans, and any form of non-cash or incentive compensation. A limit of $170,000 is applied to each year of compensation (lower limits applied to compensation earned prior to 2000). Final average compensation is based on five consecutive calendar years of the ten most recent calendar years of employment. The final average compensation used to calculate the December 31, 2009 CARP benefit present value for each named executive officer is $170,000.

The benefit under the CARP is calculated as (A) times (B), where:

(A) is 1.19% of final average compensation plus 0.45% of the final average compensation in excess of the participant s average Social Security wage base; and

(B) is credited service, limited to 30 years.

Normal retirement under the CARP is age 65, but a participant is entitled to receive a reduced benefit after attaining either age 55 with 10 years of service or age 50 with 20 years of service. The early retirement benefit is the same as the normal retirement benefit, but actuarially reduced from age 65 to the early retirement age.

The CARP benefit can be received as a single life annuity or an actuarially equivalent contingent annuity with 50%, 662/3%, 75%, or 100% of the participant s payments continuing for the life of the surviving spouse following the participant s death, or as an actuarially equivalent lump sum. The lump sum payment option is not available if the participant terminates before being eligible for either normal or early retirement.

SERP. The SERP benefits were granted in connection with each named executive officer s employment agreement and will be offset by amounts paid or payable under the CARP. These benefits are not protected from bankruptcy, are subject to the rights of creditors of the company, and are not protected by the Pension Benefit Guaranty Corporation. The company provides the SERP benefits to address the compensation limits under CARP and to encourage retention by enhancing the financial value of continued employment with Continental.

Payouts under the SERP are based on final average compensation and credited years of service. Under the SERP, final average compensation means the greater of a specified minimum amount or the average of the participant s highest five years of compensation during their last ten calendar years with the company. For purposes of such calculation, compensation includes salary and cash bonuses but excludes certain stay bonus amounts, any termination payments, payments under the Officer Retention and Incentive Award Program (which has been terminated), proceeds from awards under any option or stock incentive plan and any cash awards paid under a long term incentive plan. The final average compensation used to calculate the December 31, 2009 SERP benefit present value is $1,443,693 for Mr. Kellner, $1,279,909 for Mr. Smisek, $445,825 for Mr. Rowe, $789,860 for Mr. Compton, and $743,297 for Mr. Moran.

In order to provide the full year of credited service for the year in which their participation began, credited years of service recognized under the SERP began January 1, 1995 for Messrs. Kellner and Smisek, January 1, 2001 for Mr. Compton, and January 1, 2004 for Mr. Moran. For Mr. Rowe, credited years of service under the SERP began September 6, 2006 upon his promotion to senior vice president of the company. Each of the named executive officers except for Mr. Rowe received additional credited years of service under the SERP for each actual year of service during a specific period of time as follows: from 2000 through 2004, two additional years for each year of service of Messrs. Kellner and Smisek; from 2001 through 2006, one additional year for each year of service of Mr. Compton; from 2004 through 2006, one additional year for each year of service of Mr. Moran. This additional service credit was provided as a retention incentive. The portion of the Present Value of Accumulated Benefits attributable to years of service credited under the SERP that are in excess of actual years worked while participating in the SERP are as follows: $2,718,614 for Mr. Kellner, $3,083,300 for Mr. Smisek, $1,037,357 for Mr. Compton, and $482,309 for Mr. Moran.

Credited service is limited to 30 years for Mr. Smisek and 26 years for Messrs. Rowe, Compton, and Moran in order to ensure that credited service would not exceed the reasonable lifetime service tenure for an executive at retirement age.

The benefit under the SERP is defined as a single life annuity, which is (a) times (b) minus (c), where:

(a) is 2.50% of final average compensation;

(b) is credited service; and

(c) is the benefit payable from the CARP.

Normal retirement under the SERP is age 60, but an officer is entitled to receive a reduced benefit upon the earlier of attaining age 55 or completing 10 years of actual service under the SERP. The benefit is payable as a lump sum, which is the actuarial equivalent of the single life annuity benefit payable at age 60. Mr. Kellner resigned effective

December 31, 2009 with 25 years of credited service recognized under the SERP and a benefit of 62.5% of his final average compensation.

The lump sum is calculated using the same mortality table that is used in the CARP (currently the IRS prescribed 417(e) table). It is also calculated using an interest rate that is the average of the Moody s Aa Corporate Bond rate for the three month period ending on the last day of the second month preceding payment.

Potential Payments Upon Termination or Change in Control

Termination

As discussed above, we have entered into employment agreements with each of our named executive officers. These employment agreements and our existing compensation programs require us to make payments or provide benefits to our named executive officers upon termination of employment, including a termination in connection with a change in control of Continental. The payments and benefits provided to the named executive officers depend upon the circumstances of the termination. Assuming that the named executive officers employment had terminated on December 31, 2009, the information below describes the benefits that each named executive officer would receive under our existing plans and agreements as a result of such termination. At December 31, 2009, each named executive officer had earned payment for his LTIP award for the performance period ending December 31, 2009. The maximum payment amounts of these LTIP awards were earned as of December 31, 2009 and are included in the Summary Compensation Table. No additional amounts would be paid for these awards under any termination scenario and therefore these LTIP awards are not described further below. Mr. Kellner resigned from Continental effective December 31, 2009 and payments to him in connection with his resignation are discussed below under Termination by the Executive without Good Reason ; Retirement. Due to his resignation effective December 31, 2009, except as specifically referenced, Mr. Kellner is not included in the discussion of other termination scenarios or in references to the named executive officers in this section.

Termination by the Company for Cause. If we had terminated the named executive officers employment for Cause at December 31, 2009, we would provide each named executive officer with his accrued benefits through the date of termination under the SERP pursuant to his employment agreement. Upon a termination by the company for Cause, the lump sum SERP benefit payable to the named executive officers would have been $8,245,725 for Mr. Smisek (partially payable on January 1, 2010 with the remainder payable July 1, 2010), $224,284 for Mr. Rowe (payable on November 1, 2030), $3,729,551 for Mr. Compton (payable on December 1, 2015), and $1,978,221 for Mr. Moran (payable on February 1, 2016). Since the foregoing amounts represent what would have been payable if the triggering event had occurred on December 31, 2009, the amounts were calculated using the SERP s actual actuarial equivalence interest rate of 5.25% that would apply to payments on January 1, 2010. The lump sums were calculated using the actual mortality assumptions under the SERP for payments in 2010 which is the same as the long term ASC 715-20 assumption. The amounts payable to Messrs. Rowe, Compton, and Moran are estimates because the final assumptions that would apply to the calculation of their lump sum benefits will not be determinable until 2030, 2015 and 2016, respectively. In addition, each named executive officer is vested in his CARP benefit. As of December 31, 2009, Mr. Smisek was the only named executive officer eligible to retire under CARP and would have been able to receive a lump sum benefit payable on January 1, 2010 of $253,926. As of December 31, 2009, none of the other named executive officers was eligible to retire under CARP, so each would be entitled to a future annuity benefit from CARP that would commence when he reached age 55.

Upon a termination for Cause, the executive would retain continuing flight benefits and an associated tax reimbursement for these benefits. The flight benefits allow the named executive officers and their family members and significant others effectively unlimited lifetime travel on Continental Airlines, Continental Micronesia, and Continental Express. The executives, their spouses, and children also would retain access to our Presidents Club facilities and OnePass Elite status and the executives (other than Mr. Rowe) retain flight benefits on certain airline partners. The spouse and children of each named executive officer have certain continuing flight benefits following his death, as further described below under Death or Disability. As of December 31, 2009, we estimate the present value of the incremental cost to the company to provide flight benefits to be $66,142 for Mr. Smisek, $64,074 for Mr. Rowe, $54,171 for Mr. Compton, and $77,705 for Mr. Moran. We estimate the present value of the tax

reimbursement to be $229,904 for Mr. Smisek, $238,740 for Mr. Rowe, $189,369 for Mr. Compton, and $310,470 for Mr. Moran. The present value of the flight benefits was calculated using a discount rate of 6.15% and mortality assumptions based on the RP 2000 table with Projected Mortality Improvements to 2016 (sex distinct) with no collar adjustments. These assumptions are the same as those used for our pension plan accounting under ASC 715-20 as of December 31, 2009. Other assumptions include that the lifetime average annual usage and tax reimbursements are equal to actual average annual usage and average annual tax reimbursement amounts in prior years, and that the annual incremental cost to the company is the same as the average of the incremental cost incurred by the company to provide flight benefits to the executive in 2007 through 2009. Our calculation of

incremental cost to the company of providing flight benefits includes incremental fuel, meal expense (by cabin), passenger liability insurance, war risk insurance and OnePass miles earned. The tax reimbursement relating to the flight benefits is calculated based on the IRS valuation of the benefit (which value is greater than the incremental cost to the company of providing such benefits).

The named executive officers (and their eligible dependents) also would have access to continued coverage in health/welfare/life insurance programs on terms equivalent to those generally available to active employees of Continental for the remainder of the executive s lifetime. As of December 31, 2009, we estimate the present value of the health/welfare/life insurance benefits to be $497,672 for Mr. Smisek, $1,086,967 for Mr. Rowe, $849,614 for Mr. Compton, and $602,596 for Mr. Moran. These present values were calculated using the assumptions reflected in the FASB ASC Topic 715-60 Compensation Retirement Benefits Defined Benefit Plans Other Postretirement (ASC 715-60), discussed in Note 11 to the consolidated financial statements included in Item 8 of the 2009 Form 10-K for the broader employee group, including the mortality assumption and a discount rate of 5.57%. In addition, the following assumptions were reflected in the health/welfare continued coverage provided to the named executive officers: medical and prescription drug trends were expanded for periods beyond age 65, dependent children were included and assumed to lose eligibility for coverage at age 23, and coordination with Medicare was assumed to begin at age 65 for medical (with no offset for Medicare Part D).

Under the terms of the employment agreements, the company is generally deemed to have Cause to terminate a named executive officer if he engages in any of a list of specified activities, including, with respect to Mr. Smisek, willful gross neglect, willful gross misconduct, felony conviction, fraud, or a material breach of a material obligation under the employment agreement; and, with respect to Messrs. Rowe, Compton, and Moran, gross negligence, willful misconduct, felony conviction, fraud, or a material breach of a material obligation under the employment agreement. If a termination for Cause is due to the executive s misconduct (as defined in the annual incentive program) that resulted in an error in the company s financial information that had the effect of increasing the amount of the executive s annual incentive payment, his entire annual incentive is subject to recovery by the company.

Termination by the Executive without Good Reason ; Retirement. This separation scenario describes the benefits provided to Mr. Kellner following his resignation on December 31, 2009. If any of our other named executive officers had resigned his employment without Good Reason at December 31, 2009, we would provide him with the same benefits described above, as if we had terminated his employment for Cause, and he also would receive parking at IAH airport (two such parking spaces are provided for Mr. Smisek and one space is provided for Messrs. Rowe, Compton, and Moran) for as long as they reside in Houston, Texas, with an annual cost of approximately $500 for each parking space. In addition, with respect to Messrs. Rowe, Compton, and Moran, we would provide each of them with the company automobile that he was using at the time his employment terminated. Mr. Rowe currently has waived his right to a company provided automobile. At December 31, 2009, the company automobiles provided to Messrs. Compton and Moran had a lease buyout option and a carrying value of $51,608 and $62,850, respectively.

The benefits and payments provided by the company to Mr. Kellner in connection with his resignation on December 31, 2009 are a lump sum SERP benefit in the amount of $7,506,260 (payable on July 1, 2010), continuing flight benefits with an estimated present value of $78,645, tax reimbursement on such flight benefits with an estimated present value of $292,134, continuing health/welfare/life insurance benefits with an estimated present value of $809,637, and parking at IAH airport for so long as he resides in Houston, Texas. These benefits and the assumptions used to calculate the present value of these benefits at December 31, 2009 are described above. In addition, upon his death, Mr. Kellner s surviving spouse and children are permitted to use any remaining travel and tax gross-up balances for an unlimited period. This survivor benefit relates to certain grandfathered travel benefits and employment agreement amendments made to comply with section 409A of the Code.

Under the terms of the employment agreements, a named executive officer generally is permitted to terminate his employment for Good Reason upon the occurrence of any of the following: (a) a material diminution in his authority, duties or responsibilities from those associated with his position as set forth in this proxy statement (including with respect to Mr. Smisek, his position as a member of the board or as Chairman of the board of directors unless election of a separate Chairman is required by applicable law or the rules of the principal securities exchange

on which the company s common stock is then listed); (b) a material change in the location where he must perform services, which includes requiring him to be based anywhere more than 50 miles outside the city limits of Houston, Texas; (c) a material diminution in his base salary (other than the potential reduction arising from Mr. Smisek s voluntary salary waiver); or (d) a material breach by the company of the terms of his employment agreement. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements Agreements with Other Named Executive Officers above. For purposes of this disclosure, a termination without Good Reason includes the executive s providing the company with notice of non-renewal of his employment agreement.

Under the terms of the employment agreements, a retirement is treated as a termination by the executive without Good Reason for purposes of determining termination benefits. The company s executive benefit programs provide specified payment opportunities upon retirement. Payment amounts under the LTIP awards are based on company performance achieved through the retirement date. Payment amounts with respect to the Profit Based RSUs are based on company performance achieved through the end of the retirement year. At December 31, 2009, none of the named executive officers except for Mr. Smisek was eligible to retire under CARP, which is the eligibility measure under the company s executive benefit plans and programs. If Mr. Smisek had retired on December 31, 2009, he would have received (i) immediate pro-rata payment of his LTIP awards for the performance periods ending December 31, 2010 and 2011 ($1,196,105 and $597,780, respectively) and (ii) pro-rata payment of the final one-third of his 2006 Profit Based RSUs ($1,759,019, calculated based on the average closing price of the company s common stock for the 20 trading days preceding March 1, 2010, or $19.20 per share) payable at the same time as other participants in March 2010. Upon retirement, Mr. Smisek also would be eligible for pro-rata payment of his 2008 and 2009 Profit Based RSU awards, however, these awards had not achieved the entry level of performance at December 31, 2009 and, therefore, no amounts would have been payable as of December 31, 2009 for such awards.

Termination by the Company without Cause ; Termination by the Executive for Good Reason ; or Company Non-renewal. If, as of December 31, 2009, we had terminated any of the named executive officer s employment without Cause, or the executive had terminated his employment for Good Reason, or the executive s employment had terminated because we had notified the executive that we would not renew his employment agreement, we would provide him with the same benefits described above, as if he had resigned his employment without Good Reason. Each named executive officer also would receive additional service credit under his SERP (three years, subject to the overall limit on years of service credit) that would increase the lump sum SERP benefit amounts (see Termination by the Company for Cause above) by $1,030,173 for Mr. Smisek, $451,133 for Mr. Rowe, $799,264 for Mr. Compton, and $752,147 for Mr. Moran. In addition, we would pay him a lump-sum cash severance payment (the Termination Payment), which, if the termination had occurred on December 31, 2009, would have equaled $4,428,000 for Mr. Smisek and $1,727,586 for each of Messrs. Rowe, Compton, and Moran. With respect to Mr. Smisek, the Termination Payment benefit is calculated as three times the sum of (a) his annual base salary and (b) an amount equal to 150% of his base salary. Pursuant to his salary waiver agreement beginning in 2010, the Termination Payment for Mr. Smisek is calculated based on his salary at its current level assuming that there is no salary waiver. In addition, if Mr. Smisek s employment is terminated by the company without Cause or by Mr. Smisek for Good Reason, then the company would pay Mr. Smisek all salary and annual bonus amounts that have not been paid as a result of the waiver agreement. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements Agreements with Other Named Executive Officers above. With respect to Messrs. Rowe, Compton, and Moran, the Termination Payment represents two times the sum of (a) his annual base salary and (b) an amount equal to 125% of his base salary, unless the termination occurs within two years following a change in control (in which case the Termination Payment equals three times that sum). In addition, we would provide each executive with outplacement services for 12 months (valued at $25,000). As set forth in the Summary Compensation Table, the 2009 Grants of Plan-Based Awards table, the Outstanding Equity Awards at Fiscal Year End table and the narrative disclosures thereto, each of the named executive officers hold outstanding Profit Based RSUs and LTIP awards, in each case under our LTIP/RSU Program. Each executive s outstanding Profit Based RSUs and LTIP awards would be

treated in the same manner as if his employment terminated due to his death or disability, as described below.

Death or Disability. If any of the named executive officer s employment had terminated due to his death or disability on December 31, 2009, we would provide him (or his estate) with flight benefits, continuation coverage in health and welfare benefit programs (in the case of disability only), with respect to Messrs. Smisek, Compton and Moran, parking at IAH airport (in the case of disability only) and, with respect to Messrs. Compton and Moran, their company automobile. Beginning in 2010, if Mr. Smisek s employment is terminated for death or disability, the company also would pay Mr. Smisek all salary and bonus amounts that have not been paid as a result of his waiver agreement. See Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements Agreements with Other Named Executive Officers above. The employment agreement for Mr. Smisek provides an additional disability benefit equal to and in lieu of the Termination Payment if he qualifies for disability under a long-term disability plan maintained by the company and those benefits cease before he reaches age 65. This additional disability benefit (plus interest from the date such disability benefits cease under such long-term disability plan) is payable at age 65.

In connection with employment agreement amendments made to comply with section 409A of the Code, the executives agreed to limit unused flight benefit accruals effective December 31, 2007. Mr. Smisek was permitted to retain his then grandfathered outstanding travel limit and tax gross-up balances. The surviving spouse and children of Mr. Smisek can use any remaining travel and tax gross-up balances for an unlimited period. Messrs. Compton and Moran were permitted to retain a grandfathered travel limit of $100,000 and their grandfathered tax gross-up balances and were provided a survivor benefit entitling the executives surviving spouse and children to a limited annual travel benefit of $15,000 for a period of ten years. Mr. Rowe s agreement does not include a grandfathered travel limit but does permit his surviving spouse and children to use his remaining tax gross-up balance and provides them with the same survivor benefit as the other executive vice presidents. The flight benefit limits are subject to certain adjustments related to changes in fare calculations.

Upon a termination for disability, the executive would receive the SERP benefit (including additional service credit of three years, subject to the overall limit on years of service credit), described and quantified above. If the executive s employment had terminated due to his death on December 31, 2009, the lump sum SERP benefit payable on January 1, 2010 to the named executive officer s surviving spouse would have been $4,324,198 for Mr. Smisek, $104,124 for Mr. Rowe, $1,806,218 for Mr. Compton, and $946,189 for Mr. Moran. The lump sum SERP benefit payable to the surviving spouse upon the death of the named executive officer is the present value of the hypothetical benefit that would be payable if the named executive officer had terminated employment on the date of death and was credited with an additional three years of SERP service, survived until age 60, been entitled to and elected a contingent annuitant option with 50% of the benefit continuing to his surviving spouse at his death, and died the day after benefits commenced. In addition, the surviving spouse of each named executive officer would be entitled to a future annuity benefit from CARP. Upon the named executive officer s death, we also would provide the executive s beneficiary with the proceeds of a third-party term life insurance policy maintained by the company in an amount equal to, in the case of Mr. Smisek, the Termination Payment described above, and in the case of Messrs. Rowe, Compton, and Moran, three times the sum of (a) his annual base salary and (b) an amount equal to 125% of his base salary.

Under the terms of the employment agreements, if any of the named executive officers had died or become disabled on December 31, 2009, we would be required to pay him (or his estate) with respect to the Profit Based RSUs when other participants receive payments as if he had remained employed through the applicable payment dates. However, if a change in control occurs after the executive s death or disability and prior to any such payment date, then the payment would be made promptly upon the occurrence of the change in control. Payments for the 2006 Profit Based RSUs were made in one-third increments in March 2008, March 2009, and March 2010. Payment amounts are calculated based on the average closing price per share of our common stock for the 20 trading days preceding the payment date. Absent a change in control, the earliest potential payment date for the 2008 and 2009 Profit Based RSUs is March 2011 because no profit sharing pool target had been achieved for either of these awards as of

December 31, 2009. If the performance targets are subsequently achieved, the payment amount will be calculated based on the average closing price per share of our common stock for the 20 trading days preceding each payment date. See the Outstanding Equity Awards at Fiscal Year-End table, including the footnotes thereto, for other information regarding the December 31, 2009 values of the outstanding Profit Based RSUs.

Under the terms of the employment agreements, upon death or disability, each named executive officer (or his estate) is entitled to receive payment with respect to his LTIP awards based on actual, final performance when and if other participants receive their payments as if he had remained employed through the end of the performance period. However, if a change in control occurs after the executive s death or disability and prior to the end of a performance period, then the payment would be made promptly upon the occurrence of the change in control. At December 31, 2009, each of the named executive officers held outstanding LTIP awards with performance periods ending December 31, 2010 and December 31, 2011. See the 2009 Grants of Plan-Based Awards table for the threshold, target and maximum values of each named executive officer s LTIP award for the performance period ending December 31, 2011. As of December 31, 2009, the potential payout amounts with respect to the LTIP awards for the performance period ending December 31, 2010 are the same as the potential payout amounts with respect to the LTIP award for the performance period ending December 31, 2011 and are set forth in the 2009 Grants of Plan-Based Awards table above.

Post-Termination Obligations. Pursuant to the employment agreements of Messrs. Smisek, Rowe, Compton, and Moran, all termination payments and obligations of the company are subject to receipt of a signed and irrevocable release agreement relating to certain legal claims and liabilities against the company, other than certain claims arising following termination, related to post-termination obligations under the employment agreement, or obligations under certain benefit programs.

The employment agreements of Messrs. Smisek, Rowe, Compton, and Moran also include certain additional post-termination obligations that the company may enforce through injunctive relief and other legal remedies. These include confidentiality obligations and a two year restriction from soliciting any employee of the company. In addition, each of the named executive officers is subject to non-compete obligations following termination of the executive s employment, except if such termination is by the company for a reason other than Cause (including a non-renewal of his employment agreement) or if such termination is by the executive for Good Reason. The non-compete obligations extend for a period of 18 months. Please see Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements for further information regarding the confidentiality and non-competition obligations of the named executive officers.

Change in Control

The information below describes the compensation implications to each named executive officer, assuming that a change in control of Continental had occurred on December 31, 2009 and his employment was terminated on that date. The employment agreements and outstanding compensation awards as of December 31, 2009 incorporate the change in control definition in Incentive Plan 2000. The change in control definition in Incentive Plan 2000 is substantially similar to the change in control definition in Incentive Plan 2010. See Proposal 2: Approval of Incentive Plan 2010 Summary of Incentive Plan 2010 and Associated Programs Corporate Changes, Change in Control and Other Adjustments below. Upon a change in control, payments to each of the named executive officers remain conditioned on continued employment through the end of the applicable performance period, with limited exceptions in the case of death, disability, retirement eligibility or actual retirement, or if the named executive officer suffers a Qualifying Event. This requirement is commonly referred to as a double trigger. Under the terms of the company s compensation programs, a Qualifying Event includes events that are similar to termination by the company without Cause, those which would permit the named executive officer to terminate his employment for Good Reason, and the company s non-renewal of the named executive officer s employment agreement.

Upon a termination in connection with a change in control, each named executive officer would be entitled to the same benefits that would have been provided to him on a termination of employment for similar reasons in the absence of a change in control, with the following modifications.

Compensation Programs. Under the ROBIC annual incentive program, the maximum stretch performance level is deemed achieved for the fiscal year only with respect to a participant who suffers a Qualifying Event during the performance period in which the change in control occurs. For each of the named executive officers these amounts are set forth in the 2009 Grants of Plan-Based Awards table under the Estimated Future Payouts Under Non-Equity Incentive Plan Awards column for the Maximum payout level. Under our LTIP/RSU Program, LTIP

awards are deemed satisfied at the maximum stretch performance level on the date of the change in control. The maximum payout amounts for the LTIP performance periods ending December 31, 2010 and December 31, 2011 are the same, and such payout amounts are disclosed in the 2009 Grants of Plan-Based Awards table above. With respect to the Profit Based RSUs, the Human Resources Committee establishes a performance target at the time the award is granted that is deemed satisfied upon a change in control (unless a higher level has already been achieved in a prior year). In the case of the 2006 Profit Based RSUs, the maximum payment percentage was achieved in 2007. For the 2008 and 2009 Profit Based RSUs, the change in control payment percentage was specified at the target performance level. In addition, the Profit Based RSUs minimum cash balance requirement is deemed satisfied upon a change in control. Following a change in control, payments under all outstanding RSUs would be based on the average closing price per share of our common stock for the 20 trading days prior to the date of the change in control. In addition to the amounts included in the Outstanding Equity Awards at Fiscal Year-End table above, the named executive officers would have received the following additional amounts with respect to the 2008 and 2009 Profit Based RSUs: $816,008 for Mr. Smisek, $578,545 for Mr. Rowe, and $643,308 each for Messrs. Compton, and Moran. If the named executive died, became disabled, retired, or suffered a Qualifying Event on December 31, 2009 coincident with a change in control on such date, then the full amount of payments with respect to outstanding LTIP and Profit Based RSU awards would be accelerated to such date (except that upon a retirement, only a prorated payment would be made with respect to outstanding LTIP awards). Mr. Smisek was the only named executive officer eligible to retire on December 31, 2009. The prorated payment Mr. Smisek was eligible to receive with respect to his outstanding LTIP awards for the years ending 2010 and 2011 would have been $1,196,105 and $597,780, respectively.

Termination Payment. If any of Messrs. Rowe, Compton, or Moran had terminated his employment on December 31, 2009 for Good Reason or had his employment been terminated by the company without Cause in connection with a change in control, he would have received an increase of $863,793 to the Termination Payment otherwise payable to him upon such a termination event in the absence of a change in control.

Reimbursement for Excise Taxes. Section 4999 of the Code imposes an excise tax on so-called excess parachute payments made to an executive in connection with a change in control as described in section 280G of the Code. If benefits to be provided to a named executive officer in connection with a change in control would subject him to such excise tax, we have agreed to reimburse or gross-up each named executive officer for the incremental tax cost of the benefits. This gross-up obligation applies regardless of whether the named executive officer s employment with us terminates or continues in connection with the change in control. If the named executive officers suffered a Qualifying Event in connection with a change in control on December 31, 2009, we estimate the amount of the reimbursement for taxes payable to be $0 for Mr. Smisek, $2,845,422 for Mr. Rowe, $2,578,526 for Mr. Compton, and $2,604,466 for Mr. Moran. However, certain elements of compensation may not be subject to the excise tax, depending on the actual timing and circumstances surrounding a termination upon a change in control. Accordingly, the values shown above may be larger than amounts that would actually be paid.

In light of evolving best practices in executive compensation, the Human Resources Committee adopted a policy in April 2009 that the company will no longer provide excise tax reimbursement to officers who did not, as of the date of the adoption of the policy, have a contractual right to such benefits. All of our named executive officers had a contractual right to such benefits prior to the date of the adoption of the policy. See also Compensation Discussion and Analysis Other Executive Compensation Matters Tax Matters above.

Equity Compensation Plan Information

The table below provides information relating to our equity compensation plans as of December 31, 2009.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plans approved by security holders	2,741,641	$ 20.77	3,189,060(1)
Equity compensation plans not approved by security holders(2)	5,372,150	13.68	0(2)
Total	8,113,791	$ 16.08	3,189,060(1)

(1) Amount shown represents 3,189,060 shares available under our employee stock purchase plan. There are no remaining shares available for issuance under our other equity compensation plans. In connection with this proxy statement and the meeting, stockholders are being asked to consider and vote on a proposal to adopt Incentive Plan 2010 to make an additional 3,750,000 shares available for awards (see Proposal 2: Approval of Incentive Plan 2010 below).

(2) During the first quarter of 2005, we adopted the 2005 Broad Based Employee Stock Option Plan and the 2005 Pilot Supplemental Option Plan, as a commitment to our employees that their wage and benefits cost reduction contributions represent an investment in their future. We did not seek stockholder approval to adopt these plans because the Audit Committee of our board determined that the delay necessary in obtaining such approval would seriously jeopardize our financial viability. The NYSE accepted our reliance on this exception to its shareholder approval policy. These plans authorized the issuance of up to 10 million shares of common stock; however, no further shares may be granted without stockholder approval. As of December 31, 2009, approximately 8.8 million options, net of 0.9 million shares cancelled, with a weighted average exercise price of $13.05 per share had been issued to eligible employees under these plans in connection with pay and benefit reductions and work rule changes with respect to those employees. The options vested in three equal installments and have terms ranging from six