UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number 1-10323

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

Delaware	74-2099724
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1600 Smith Street, Dept. HQSEO, Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 713-324-2950

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Class B Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ___ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-5 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ____ No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of " large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer __X__
Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___
(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No __X__

As of June 30, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1.1 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 16, 2010
Class B Common Stock, $.01 par value per share	139,057,281 shares

DOCUMENTS INCORPORATED BY REFERENCE
Proxy Statement for Annual Meeting of Stockholders to be held on June 9, 2010: PART III

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PART I

Item 1. Business.

Overview

Continental Airlines, Inc., a Delaware corporation incorporated in 1980, is a major U.S. air carrier engaged in the business of transporting passengers, cargo and mail. The terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

We are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2009. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate more than 2,000 daily departures. As of December 31, 2009, we flew to 118 domestic and 124 international destinations and offered additional connecting service through alliances with domestic and foreign carriers. We directly served 28 Trans-Atlantic destinations, 11 Canadian cities, seven South American cities and four Trans-Pacific destinations from the U.S. mainland as of December 31, 2009. In addition, we provide service to more destinations in Mexico and Central America than any other U.S. airline, serving 39 cities. Through our Guam hub, CMI provides extensive service in the western Pacific, including service to more Japanese cities than any other U.S. carrier.

General information about us, including our Corporate Governance Guidelines and the charters for the committees of our Board of Directors, can be found on our website, continental.com. Our Board has adopted the "Ethics and Compliance Guidelines," which apply to all directors, officers and employees of Continental and its subsidiaries and serve as our "Code of Ethics" under Item 406 of Regulation S-K and as our "Code of Business Conduct and Ethics" as required by Section 303A.10 of the New York Stock Exchange ("NYSE") Listed Company Manual. The Ethics and Compliance Guidelines also are available on our website, and future amendments to or waivers from compliance with these guidelines will be disclosed on our website in accordance with Item 5.05 of Form 8-K.

Copies of these charters and guidelines are available in print to any stockholder who requests them. Written requests for such copies may be directed to our Secretary at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. Electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the U.S. Securities and Exchange Commission ("SEC").

Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

Forward-Looking Statements

This Form 10-K contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of those risks and uncertainties, see the cautionary statements contained in Item 1A. "Risk Factors." See Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" for a discussion of trends and factors affecting us and our industry. Also see Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting" for financial information about each of our business segments. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report, except as required by applicable law.

Domestic Operations

We operate our domestic route system primarily through our hubs in the New York metropolitan area at Newark Liberty International Airport ("New York Liberty"), in Houston, Texas at George Bush Intercontinental Airport ("Houston Bush") and in Cleveland, Ohio at Hopkins International Airport ("Cleveland Hopkins"). Each of our domestic hubs is located in a large business and population center, contributing to a large amount of "origin and destination" traffic. Our hub system allows us to transport passengers between a large number of destinations with substantially more frequent service than if each route were served directly. The hub system also allows us to add service to a new destination from a large number of cities using only one or a limited number of aircraft. As of December 31, 2009, we operated 75% of the average daily departures from New York Liberty, 84% of the average daily departures from Houston Bush and 65% of the average daily departures from Cleveland Hopkins, in each case based on scheduled passenger departures and including regional flights flown for us under capacity purchase agreements.

International Operations

We directly serve destinations throughout Europe, Asia, Canada, Mexico, Central and South America and the Caribbean. We also provide service to numerous other destinations through codesharing arrangements with other carriers and have extensive operations in the western Pacific conducted by CMI. As measured by 2009 available seat miles, approximately 51% of our mainline operations is dedicated to international service.

New York Liberty is a significant international gateway for our operations. From New York Liberty, we served 28 Trans-Atlantic destinations, four Trans-Pacific destinations, eight cities in Canada, four cities in Mexico, seven cities in Central America, four cities in South America and 16 Caribbean destinations at December 31, 2009. We expect to begin daily service between New York Liberty and Munich, Germany in March 2010.

Houston Bush is the focus of our flights to destinations in Mexico and Central and South America. As of December 31, 2009, we flew from Houston Bush to 29 cities in Mexico, ten cities in Central America, seven cities in South America, six Caribbean destinations, four cities in Canada, four cities in Europe and Tokyo.

At December 31, 2009, we flew from Cleveland Hopkins to two cities in Canada, San Juan, Puerto Rico and Cancun, Mexico.

From its hub operations based on the island of Guam, as of December 31, 2009, CMI provided service to nine cities in Japan, more than any other U.S. carrier, as well as other Pacific rim destinations, including Manila, Philippines and Cairns, Australia. CMI is the principal air carrier in the Micronesian Islands, where it pioneered scheduled air service in 1968. CMI's route system is linked to the U.S. mainland through Tokyo and Honolulu, each of which CMI serves non-stop from Guam. CMI began service from Guam and Honolulu to Nadi, Fiji in December 2009.

See Item 8. "Financial Statements and Supplementary Data, Note 18 - Segment Reporting," for operating revenue by geographical area.

Alliances

We have extensive commercial relationships with other airlines, which are often referred to generally as “alliances” and may include (a) codesharing (one carrier placing its name and flight number, or "code," on flights operated by the other carrier), (b) reciprocal frequent flyer program participation, reciprocal airport lounge access and other joint activities (such as seamless check-in at airports) and/or (c) capacity purchase agreements. Alliances allow airlines to develop their route structures by enabling them to offer their passengers greater destination coverage, while providing member airlines with the potential for both increased revenues and cost savings. We seek in particular to develop international alliance relationships that complement our own route system and permit expanded service through our hubs to major international destinations. International alliances enable us to provide our passengers better connecting service from our international flights to other destinations beyond an alliance airline’s hub and expand the product line that we may offer in a foreign destination.

On October 27, 2009, we joined Star Alliance. Star Alliance was established in 1997 as the first global airline alliance to offer customers worldwide reach and a smooth travel experience. As a member of Star Alliance, we have bilateral commercial agreements with all 25 other Star Alliance members, including reciprocal earning and redemption of frequent flyer miles. The members are Air Canada, Air China, Air New Zealand, All Nippon Airways (“ANA”), Asiana Airlines, Austrian Airlines, British Midland Airways (“bmi”), Brussels Airlines, EgyptAir, LOT Polish Airlines, Lufthansa, Scandinavian Airlines (“SAS”), Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, Swiss International Air Lines, TAP Portugal, Thai Airways International, Turkish Airlines, United Airlines (“United”) and US Airways. Regional member carriers Adria Airways (Slovenia), Blue1 (Finland) and Croatia Airlines enhance the global network. Aegean Airlines, Air India and TAM Airlines have also been accepted as future members. Overall, Star Alliance network offers more than 19,700 daily flights to 1,077 destinations in 175 countries.

As of December 31, 2009, we also had codesharing agreements with Star Alliance members United, Lufthansa, Air Canada, bmi and Asiana Airlines. Codesharing with additional airlines in Star Alliance is being implemented, with codesharing with Air New Zealand, ANA and SAS expected to begin in March 2010.

On July 10, 2009, the U.S. Department of Transportation (“DOT”) approved our application to join United and a group of eight other carriers within Star Alliance that already hold antitrust immunity. This approval enables us, United and these other immunized Star Alliance carriers to work closely together to deliver highly competitive international flight schedules, fares and service and provides competitive balance to antitrust-immunized carriers in SkyTeam. Additionally, we, United, Lufthansa and Air Canada are permitted under antitrust immunity to establish a trans-Atlantic joint venture to create a more efficient and comprehensive trans-Atlantic network for our respective customers, offering those customers more service, scheduling and pricing options and establishing a framework for similar joint ventures in other regions of the world. The DOT's approval of antitrust immunity is subject to certain conditions and limitations that are not expected to diminish materially the benefits of our participation in Star Alliance or the trans-Atlantic joint venture. On December 23, 2009, we, United and ANA filed an application with the DOT for antitrust immunity to enable the three carriers to establish a trans-Pacific joint venture, offering similar benefits to our trans-Pacific customers. We are seeking a modification to our pilot collective bargaining agreement to permit us to engage in revenue sharing with a domestic air carrier, which is a component of the proposed joint ventures.

In addition to our current participation in Star Alliance, we have a domestic codesharing agreement with Hawaiian Airlines and international codesharing agreements with Copa Airlines (an airline based in Panama), Emirates (the flag carrier of the United Arab Emirates), EVA Airways Corporation (an airline based in Taiwan), Virgin Atlantic Airways and French rail operator SNCF. Additionally, we have codeshare agreements with Gulfstream International Airlines, Hyannis Air Service, Inc. ("Cape Air"), Colgan Air, Inc. ("Colgan") and Hawaii Island Air, Inc. ("Island Air"), who provide us with commuter feed traffic. We also have a train-to-plane alliance with Amtrak.

We have regional capacity purchase agreements with ExpressJet Airlines, Inc. ("ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings"), Chautauqua Airlines, Inc., ("Chautauqua"), a wholly-owned subsidiary of Republic Airways Holdings, Inc., Colgan Air, Inc. ("Colgan"), a wholly-owned subsidiary of Pinnacle Airlines Corp., and Champlain Enterprises, Inc. ("CommutAir"). See Item 8. "Financial Statements and Supplementary Data, Note 16 - Regional Capacity Purchase Agreements" for further discussion of our capacity purchase agreements.

Except for the four regional capacity purchase agreements listed above, all of our codeshare relationships are currently free-sell codeshares, where the marketing carrier sells seats on the operating carrier's flights from the operating carrier's inventory, but takes no inventory risk. In contrast, under our capacity purchase agreements, we (as the marketing carrier) purchase all seats on covered flights and are responsible for all scheduling, pricing and seat inventories. Some of our alliance relationships include other cooperative undertakings such as joint purchasing, joint corporate sales contracts, airport handling, facilities sharing or joint technology development.

Regional Operations

Our regional operations are conducted by other operators on our behalf, primarily under capacity purchase agreements. We schedule and market the regional flights provided for us by other operators under capacity purchase agreements. Our regional operations using regional jet aircraft are conducted under the name "Continental Express" by ExpressJet and Chautauqua, and those using turboprop aircraft are conducted under the name "Continental Connection" by CommutAir and Colgan. As of December 31, 2009, our regional operators served 102 destinations in the United States, 26 cities in Mexico and eight cities in Canada. This regional service complements our operations by carrying traffic that connects onto our mainline jets and allows more frequent flights to smaller cities than could be provided economically with mainline jet aircraft. Additional commuter feed traffic currently is provided to us by other alliance airlines, as discussed above.

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

The capacity purchase provisions of the ExpressJet CPA currently cover a minimum of 190 regional jets and, as of December 31, 2009, ExpressJet operated 212 Embraer 50-seat regional jets under those provisions of the contract. The minimum number of covered aircraft will be reduced as leases on covered aircraft expire. The ExpressJet CPA will expire in June 2015, with provisions for an appropriate wind-down period, and has no renewal or extension options. ExpressJet also subleases 32 Embraer 50-seat regional jets from us that are not operated on our behalf.

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

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

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

Marketing

As with other major domestic hub-and-spoke carriers, a majority of our revenue comes from tickets sold by travel agents. Although we generally do not pay base commissions, we often negotiate compensation to travel agents based on their performance in selling our tickets or based on competitive conditions in particular markets. A significant portion of our revenue, including a significant portion of our higher yield traffic, is derived from bookings made through third party global distribution systems ("GDSs") used by many travel agents and travel purchasers.

We use the internet to provide travel-related services for our customers and to reduce our overall distribution costs. We have marketing agreements with internet travel service companies such as Expedia, Hotwire, Orbitz and Travelocity. Although customers' use of the internet has helped to reduce our distribution costs, it also has lowered our yields because it has enhanced the visibility of competing fares offered by other carriers.

Our website, continental.com, is our lowest cost distribution channel. We recorded approximately $3.2 billion in ticket sales on continental.com in 2009. The site offers customers the ability to purchase, change and refund tickets on-line, to check-in on-line and to have direct access to information such as schedules, reservations, flight status, frequent flyer account information (including the ability to redeem and change reward travel) and Continental travel specials. Tickets purchased through our website accounted for 30% of our passenger revenue during 2009.

Substantially all of our sales involve our electronic ticketing, or e-ticket, product. Our e-ticket product enables us to process customer and revenue information more efficiently. E-ticketed passengers have the ability to check-in at continental.com for all domestic and international travel. On-line check-in allows customers to obtain a printed or electronic boarding pass from their home, office or hotel up to 24 hours prior to departure and to proceed directly to security at the airport, bypassing the ticket counter and saving time. Passengers with baggage who check-in on-line may use special kiosks at our hub airports to check their bags rapidly. E-ticketed passengers also can use self-service kiosks to check-in. Our customers have access to approximately 1,600 Continental self-service kiosks at 173 airports throughout our system, including all domestic airports we serve. During 2009, 84% of all check-ins were done on-line or at self-service kiosks.

Our first aircraft equipped with our new flat-bed BusinessFirst seats began service in the fourth quarter of 2009. These seats, which will be offered on long-haul international routes, allow customers to lie completely flat and provide 6½ feet of sleeping space in the fully extended position (six feet four inches on Boeing 757-200 aircraft). The seats include laptop power and feature 15.4-inch video monitors. We will install the flat-bed seats on our entire fleet of Boeing 777, 757-200 and 767-200 aircraft and substantially all of our 767-400 aircraft, as well as on our Boeing 787 fleet as those aircraft are delivered to us.

Our Boeing 777 and 757-200 aircraft are currently equipped with Audio Video on Demand entertainment systems in each BusinessFirst/first class and economy seat. Customers can start, stop, pause, rewind or fast forward movies and music at any time. The system features a large selection of movies, television shows, music and interactive video games. The system will also be provided on other aircraft equipped with flat-bed seats as those seats are installed.

We are installing DIRECTV® satellite programming on our entire fleet of narrowbody Next-Generation Boeing 737 aircraft (737-700, 737-800,737-900 and 737-900ER aircraft) and Boeing 757-300 aircraft. DIRECTV® offers customers the choice of more than 100 channels of live television and previously recorded programming. This service is complimentary in first class and available at each seat in economy class for a fee. We have completed installation of DIRECTV® on 48 aircraft as of December 31, 2009 and expect to complete installation of DIRECTV® on our entire fleet of Boeing 737 Next-Generation aircraft by the end of 2010 and our Boeing 757-300 aircraft by mid-2011.

We introduced the cashless cabin in the fourth quarter of 2009, and expect to have a cashless environment on-board our entire fleet by early in the second quarter of 2010. In a cashless cabin, flight crews accept credit and debit cards exclusively for on-board purchases.

Our Presidents Club lounges offer a wide range of amenities to make customers' travel experience productive and enjoyable. Services offered include complimentary beverages, light snacks and bar service, assistance with arrangements for travel on us, high-speed wireless Internet access, local telephone calls and fax machines. Arrival shower facilities are available at select locations. The lounges are available to Presidents Club members and to BusinessFirst customers, Star Alliance Gold Elite members and Star Alliance international first and business class customers on the day of travel.

During 2008, we began implementation of our joint project with the Transportation Security Administration ("TSA") to be the first U.S. carrier to launch a paperless boarding pass pilot program that allows passengers to receive boarding passes electronically on their cell phones or PDAs, and use those devices to pass through security and board the aircraft. The new technology heightens the ability to detect fraudulent boarding passes while improving customer service and reducing paper use. This service is currently available at each of our hubs and other select airports.

We offer a carbon offsetting program developed in partnership with non-profit Sustainable Travel International. This program allows customers to view the carbon footprint of their booked itinerary and choose among a number of options to reduce the impact of carbon dioxide emissions of their flights. For customers who elect to participate in this program, their contributions are made directly to Sustainable Travel International to fund the purchase of offsets, which are generated from sustainable development projects including reforestation, renewable energy and energy conservation. We receive no revenue related to this program.

Frequent Flyer Program and EliteAccess

We maintain our "OnePass" frequent flyer program to encourage repeat travel. OnePass allows passengers to earn mileage credits by flying on us and certain other alliance carriers. We also sell mileage credits to credit/debit card companies, hotels, car rental agencies, utilities and various shopping and gift merchants participating in OnePass. Mileage credits can be redeemed for free, discounted or upgraded travel on Continental, Continental Express, Continental Connection, CMI or alliance airlines. Most travel awards are subject to capacity limitations.

During 2009, OnePass participants claimed approximately 1.3 million round-trip awards. Frequent flyer awards accounted for an estimated 6.0% of our consolidated revenue passenger miles. We believe displacement of revenue passengers by passengers who redeem rewards earned by flying on us is minimal given our ability to manage frequent flyer inventory and the low ratio of OnePass award usage to revenue passenger miles. At December 31, 2009, we had an outstanding liability associated with approximately 2.6 million free round-trip travel awards that were expected to be redeemed for free travel on Continental, Continental Express, Continental Connection, CMI or alliance airlines. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates - Frequent Flier Accounting" for a detailed discussion concerning the accounting treatment of our OnePass frequent flier program.

Our EliteAccess service is offered to OnePass members who qualify for Elite status (based on the number of paid flight miles and the fares purchased in a calendar year), first class and BusinessFirst ticket holders and travelers with high-yield coach tickets who qualify as Elite for the Day. EliteAccess passengers receive preferential treatment in the check-in, boarding and baggage claim areas, are not charged fees for checked bags and have special security lanes at certain airports. We also provide a guarantee of no middle seat assignment for those passengers using a full-fare, unrestricted ticket.

Competition

The U.S. airline industry is characterized by substantial competition with respect to fares, fees, routes and services, which is particularly pronounced in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, or when they begin service to new cities or have excess capacity, to generate cash flow and to establish, increase or preserve market share. Many of our competitors have greater financial resources and/or lower cost structures than we do, in some cases as the result of their bankruptcies and/or mergers. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient fare levels in domestic markets to achieve and sustain profitability. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors are continuing to increase their international capacity, including service to some destinations that we currently serve. Additionally, the "open skies" agreement between the United States and the European Union, which became effective on March 30, 2008, is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. The “open skies” agreement between the United States and Japan announced in December 2009 is also likely to increase competition in affected markets if it becomes effective. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

We also compete with U.S. and foreign carriers, including major network carriers, low-cost carriers and regional carriers, throughout our global network on the basis of scheduling, availability of non-stop and connecting flights, on-time performance, type of equipment, cabin configuration, amenities provided to passengers, frequent flyer programs, on-board products, markets served and other services.

We are also facing stronger competition from carriers that have participated in industry consolidation or expanded airline alliances and joint ventures. See Item 1A. "Risk Factors - Risk Factors Relating to the Airline Industry - The airline is highly competitive and susceptible to price discounting" below for a discussion of the competitive advantages enjoyed by carriers participating in industry consolidation and/or airline alliances and joint ventures.

Employees

As of December 31, 2009, we had approximately 41,300 employees, which, due to the number of part-time employees, represents 39,640 full-time equivalent employees consisting of approximately 16,225 customer service agents, reservations agents, ramp and other airport personnel, 8,740 flight attendants, 6,195 management and clerical employees, 4,270 pilots, 4,090 mechanics and 120 dispatchers. Approximately 45% of our full-time equivalent employees are represented by unions as of December 31, 2009. The following table reflects the principal collective bargaining agreements, and their respective amendable dates, of Continental and CMI:

Employee Group	Approximate Number of Full-time Equivalent Employees	Representing Union	Contract Amendable Date
Continental Flight Attendants	8,460	International Association of Machinists and Aerospace Workers ("IAM")	December 2009
Continental Pilots	4,270	Air Line Pilots Association International ("ALPA")	December 2008
Continental Mechanics	3,965	International Brotherhood of Teamsters ("Teamsters")	December 2008
CMI Fleet and Passenger Service Employees	420	Teamsters	November 2011
CMI Flight Attendants	280	IAM	December 2010
Continental Dispatchers	120	Transport Workers Union ("TWU")	December 2008
CMI Mechanics	125	Teamsters	December 2009
Continental Flight Simulator Technicians	40	TWU	December 2012

On February 12, 2010, the National Mediation Board informed us that our fleet service employees had voted in favor of representation by the Teamsters. The election covers approximately 7,600 employees, or 6,340 full-time equivalent ramp, operations and cargo agents.

Approximately 97% of our full-time equivalent employees represented by unions as of December 31, 2009 are covered by collective bargaining agreements that are currently amendable or become amendable in 2010. The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008 and those with our flight attendants and CMI mechanics became amendable in December 2009. On July 6, 2009, our flight simulator technicians ratified a new four-year collective bargaining agreement with us. With respect to our workgroups with amendable contracts, we have been meeting with representatives of the applicable unions to negotiate amended collective bargaining agreements with a goal of reaching agreements that are fair to us and to our employees, but to date the parties have not reached new agreements. Negotiations often take considerable time. For example, we began negotiating with our pilots' union in February 2007, and we only received their first economic proposal in December 2009. We cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us. Furthermore, there can be no assurance that our generally good labor relations and high labor productivity will continue.

Industry Regulation and Airport Access

Federal Regulations. We provide air transportation under certificates of public convenience and necessity issued by the DOT. These certificates may be altered, amended, modified or suspended by the DOT if public convenience and necessity so require, or may be revoked for intentional failure by the holder of the certificate to comply with the terms and conditions of a certificate. Continental and CMI each operate under a separate air carrier certificate issued by the Federal Aviation Administration ("FAA"), which may be amended, suspended or revoked by the FAA if the public interest and safety in air commerce so require.

Airlines are regulated by the FAA, primarily in the areas of flight operations, maintenance, ground facilities and other technical matters. Pursuant to these regulations, we have established, and the FAA has approved, a maintenance program for each type of aircraft we operate that provides for the ongoing maintenance of our aircraft, ranging from frequent routine inspections to major overhauls.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs and can adversely affect us. Additional laws, regulations, airport rates and charges and growth constraints have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. In addition, to address concerns about airport congestion, the FAA has designated certain airports, including New York Liberty, New York's John F. Kennedy International Airport ("Kennedy") and LaGuardia Airport ("LaGuardia") as "high density traffic airports," and has imposed operating restrictions at these three airports, which may include capacity reductions. The FAA has also designated New York Liberty and Kennedy as Level 3 Coordinated Airports under the International Air Transport Association Worldwide Scheduling Guidelines, which requires us to participate in seasonal FAA procedures for capacity allocation and schedule coordination for New York Liberty and to have slots to operate at that airport. Additional restrictions on airline routes and takeoff and landing slots may be proposed that could affect rights of ownership and transfer. Although we do not believe that these current operating restrictions will have a material adverse effect on our operations at New York Liberty, we cannot predict the impact of future capacity constraints or allocations or other restrictions on our operations that might be imposed by the FAA, Congress or other regulators, which could have a material adverse effect on us.

Under the Aviation and Transportation Security Act (the "Aviation Security Act") and related federal regulations, substantially all security screeners at airports are federal employees and significant other elements of airline and airport security are overseen and performed by federal employees, including federal security managers, federal law enforcement officers, federal air marshals and federal security screeners. Among other matters, the law mandates improved flight deck security, deployment of federal air marshals onboard flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to U.S. Customs and Border Protection and enhanced background checks.

Airports from time to time seek to increase the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal statutes, DOT and FAA regulations and judicial decisions. Under the Aviation Security Act, funding for passenger security is provided in part by a per enplanement ticket tax (passenger security fee) of $2.50, subject to a $5 per one-way trip cap. The Aviation Security Act also allows the TSA to assess an aviation security infrastructure fee on each airline up to the total amount spent by that airline on passenger and property screening in calendar year 2000 and, starting in fiscal year 2005, to impose a new methodology for calculating assessments. TSA has continued to assess this fee on airlines. Furthermore, because of significantly higher security and other costs incurred by airports since September 11, 2001, many airports have significantly increased their rates and charges to airlines, including us, and may do so again in the future. Most airports where we operate impose passenger facility charges of up to $4.50 per segment, subject to an $18 per roundtrip cap.

In time of war or during a national emergency or defense-oriented situation, we and other air carriers could be required to provide airlift services to the Air Mobility Command under the Civil Reserve Air Fleet program ("CRAF"). If we were required in the future to provide a substantial number of aircraft and crew to the Air Mobility Command under CRAF, our operations could be materially adversely affected.

International Regulations. The availability of international routes to U.S. carriers is regulated by treaties and related agreements between the United States and foreign governments. The United States typically follows the practice of encouraging foreign governments to accept multiple carrier designation on foreign routes, although certain countries have sought to limit the number of carriers allowed to fly these routes. Certain foreign governments impose limitations on the ability of air carriers to serve a particular city and/or airport within their country from the United States. Bilateral agreements between the United States and foreign governments often include restrictions on the number of carriers (designations), operations (frequencies), or airports (points) that can be served. When designations are limited, only a certain number of airlines of each country may provide service between the countries. When frequencies are limited, operations are restricted to a certain number of weekly flights (as awarded by the United States to the domestic carrier, based on the bilateral limits). When points are limited, only certain airports within a country can be served.

For a U.S. carrier to fly to any international destination that is not subject to an "open skies" agreement (meaning all carriers have access to any destination in a particular country), it must first obtain approval from both the United States and the foreign country where the destination is located, which is referred to as a "foreign route authority." Route authorities to some international destinations can be sold between carriers, and their value can vary because of limits on accessibility. For those international routes where there is a limit on the number of carriers or frequency of flights, studies have shown that these routes have more value than those without restrictions. To the extent foreign countries adopt open skies policies or otherwise liberalize or eliminate restrictions on international routes, those actions would increase competition and potentially decrease the value of a route. We cannot predict what laws, treaties and regulations relating to international routes will be adopted or their resulting impact on us, but the overall trend in recent years has been an increase in the number of “open skies” agreements, as evidenced by “open skies” agreements between the United States and the European Union and between the United States and Japan (if it becomes effective). The impact of any future changes in governmental regulation of international routes could be significant.

Environmental Regulations. Many aspects of airlines' operations are also subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Future regulatory developments in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. The European Union has issued a directive to member states to include aviation in its Greenhouse Gas Emissions Trading Scheme (“ETS”), which requires us to begin monitoring our emissions of carbon dioxide effective January 1, 2010 and have emissions allowances equal to the amount of our carbon dioxide emissions to operate flights to and from member states of the European Union in January 2012 and thereafter, including flights between the United States and the European Union. On December 16, 2009, we joined a lawsuit in the United Kingdom with the Air Transport Association of America, American Airlines (“American”) and United to challenge the extension of the European Union’s ETS to include aviation and the imposition of its requirements on us. In addition, non-EU governments are expected to challenge the application of the EU ETS to their airlines; however, we may be forced to comply with the EU ETS requirements during the pendency of a legal challenge. We may have to purchase emissions allowances through the EU ETS to cover EU flights that exceed our free allowances, which could result in substantial costs for us.

Other regulatory actions that may be taken in the future by the U.S. government, foreign governments (including the European Union), or the International Civil Aviation Organization to address climate change or limit the emission of greenhouse gases by the aviation sector are unknown at this time. Climate change legislation has been introduced in the U.S. Congress, including a proposal to require transportation fuel producers and importers to acquire allowances sufficient to offset the emissions resulting from combustion of their fuels. We cannot predict, however, if any such legislation will pass the Congress or, if passed and enacted into law, how it would specifically apply to the aviation industry. In addition, effective January 14, 2010, the Administrator of the U.S. Environmental Protection Agency (“EPA”) found that current and projected concentrations of greenhouse gases in the atmosphere threaten the public health and welfare. Although legal challenges and legislative proposals are expected that may invalidate this endangerment finding and the EPA’s assertion of authority under the Clean Air Act, the finding could result in EPA regulation of commercial aircraft emissions if EPA finds, as expected, that such emissions contribute to greenhouse gas pollution.

The impact to us and our industry from any additional legislation or regulations addressing climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. Potential actions may include the imposition of requirements on airlines or transportation fuel producers and importers to purchase emission offsets or credits, which could require participation in emissions allowance trading (such as required in the European Union) and increase the cost of carbon-based fuels (such as jet fuel), substantial taxes on emissions and growth restrictions on airline operations, among other potential regulatory actions.

The DOT allows local airport authorities to implement procedures designed to abate special noise problems, provided those procedures do not unreasonably interfere with interstate or foreign commerce or the national transportation system. Some airports, including certain major airports serving Boston, Chicago, Los Angeles, San Diego, Orange County (California), Washington, D.C., Denver and San Francisco, have established airport restrictions to limit noise, including restrictions on aircraft types to be used and limits on the number and scheduling of hourly or daily operations. In some instances, these restrictions have caused curtailments in services or increased operating costs, and could limit our ability to expand our operations at the affected airports. Local authorities at other airports could consider adopting similar noise regulations. Some foreign airports, including major airports in countries such as the United Kingdom, France, Spain, Belgium, Germany and Japan, have adopted similar restrictions to limit noise, and in some instances our operations and costs have been adversely affected in the same manner as described above.

Item 1A. Risk Factors.

There are many factors that continue to threaten our operations, financial condition, results of operations and liquidity. These factors are discussed below.

Risk Factors Relating to the Company

Fuel prices or disruptions in fuel supplies could have a material adverse effect on us. Expenditures for fuel and related taxes represent the largest single cost of operating our business. These costs include fuel costs on flights flown for us under capacity purchase agreements. Our operations depend on the availability of jet fuel supplies, and our results are significantly impacted by changes in jet fuel prices, especially during periods of high volatility such as 2008. If fuel prices rise significantly in a short period of time, we may be unable to increase fares or other fees sufficiently to offset fully our increased fuel costs.

We routinely hedge a portion of our future fuel requirements to protect against rising fuel costs. However, there can be no assurance that our hedge contracts will provide any particular level of protection against increased fuel costs or that our counterparties will be able to perform under our hedge contracts, such as in the case of a counterparty's bankruptcy. Because of the large volume of jet fuel that we consume in our business, entering into hedge contracts for any substantial portion of our future projected fuel requirements is costly. Additionally, a deterioration in our financial condition could negatively affect our ability to enter into new hedge contracts in the future.

Significant declines in fuel prices (such as those experienced in the last six months of 2008) may increase the costs associated with our fuel hedging arrangements to the extent we have entered into swaps or collars. Swaps and put options sold as part of a collar obligate us to make payments to the counterparty upon settlement of the contracts if the price of the commodity hedged falls below the agreed upon amount. Historically, declining crude oil prices have resulted in our being required to post significant amounts of collateral to cover potential amounts owed with respect to swap and collar contracts that have not yet settled. Additionally, lower fuel prices may result in increased industry capacity and lower fares, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices.

Fuel prices could increase dramatically and supplies could be disrupted as a result of international political and economic circumstances, such as increasing international demand resulting from a global economic recovery, conflicts or instability in the Middle East or other oil producing regions and diplomatic tensions between the United States and oil producing nations, as well as OPEC production decisions, disruptions of oil imports, environmental concerns, weather, refinery outages or maintenance and other unpredictable events.

Further volatility in jet fuel prices or disruptions in fuel supplies, whether as a result of natural disasters or otherwise, could have a material adverse effect on our results of operations, financial condition and liquidity.

Disruptions in the global capital markets coupled with our high leverage may affect our ability to satisfy our significant financing needs or meet our obligations. As is the case with many of our principal competitors, we have a high proportion of debt compared to our capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At December 31, 2009, we had approximately $6.3 billion of debt and capital lease obligations, including $2.1 billion that will come due by the end of 2011 (consisting of $1.0 billion during 2010 and $1.1 billion during 2011).

In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines. To meet these obligations, we must access the global capital markets and/or achieve and sustain profitability. If there are future disruptions in the global capital markets, as were experienced in late 2008 through mid-2009, we may be unable to obtain financing or otherwise access the capital markets on favorable terms. See “Management’s Discussion of Financial Condition and Results of Operations – Liquidity and Capital Resources” included in Item 7 of this report for a discussion of our obligations and the status of our efforts to meet our financing needs.

Credit rating downgrades could have a material adverse effect on our liquidity. Reductions in our credit ratings may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral under our credit card processing agreements with Chase Bank USA, N.A. ("Chase") and American Express and under our workers' compensation program if our debt rating falls below specified levels, as described below.

Failure to meet our financial covenants would adversely affect our liquidity. Our credit card processing agreement with Chase (the "Chase processing agreement") contains financial covenants which require, among other things, that we post additional cash collateral if we fail to maintain (1) a minimum level of unrestricted cash, cash equivalents and short-term investments, (2) a minimum ratio of unrestricted cash, cash equivalents and short-term investments to current liabilities of 0.25 to 1.0 or (3) a minimum senior unsecured debt rating of at least Caa3 and CCC- from Moody's and Standard & Poor's, respectively. If a covenant trigger under the Chase processing agreement results in our posting additional collateral under that agreement, we would also be required to post additional collateral under our credit card processing agreement with American Express.

The amount of additional cash collateral that we may be required to post if we fail to comply with the financial covenants described above, which is based on our then-current air traffic liability exposure (as defined in each agreement), could be significant. See “Financial Statements and Supplementary Data, Note 19 – Commitments and Contingencies” included in Item 8 of this report for a detailed discussion of our collateral posting obligations under these credit card processing agreements.

Depending on our unrestricted cash, cash equivalents and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the minimum balance of $1.0 billion required under our $350 million secured term loan facility, resulting in a default under that facility. The posting of such additional collateral under these circumstances and/or the acceleration of amounts borrowed under our secured term loan facility (or other remedies pursued by the lenders thereunder) would likely have a material adverse effect on our financial condition.

We are currently in compliance with all of the covenants under these agreements.

Our obligations for funding our defined benefit pension plans are affected by factors beyond our control. We have defined benefit pension plans covering substantially all of our U.S. employees other than employees of our Chelsea Food Services division and CMI. The timing and amount of our funding requirements under these plans depend upon a number of factors, including labor negotiations and changes to pension plan benefits as well as factors outside of our control, such as the number of retiring employees, asset returns, interest rates and changes in pension laws. Changes to these and other factors, such as liquidity requirements, that can significantly increase our funding requirements could have a material adverse effect on our financial condition.

Our initiatives to increase revenues may not be adequate or successful. As we seek to achieve and sustain profitability, we must continue to take steps to generate additional revenues. These measures include charging separately for services that previously had been included within the price of a ticket, charging for other goods and services and increasing our existing fees. We intend to introduce additional ancillary revenue initiatives in the future. We can offer no assurance that these new measures or any future initiatives will be successful in increasing our revenues. Additionally, the implementation of some of these initiatives could create technical and logistical challenges for us. Any new and increased fees or charges might also reduce the demand for travel on our airline or across the airline industry in general, particularly in light of current weakened global economic conditions.

Delays in scheduled aircraft deliveries continue to adversely affect our ability to expand our international capacity. Because all of our widebody aircraft are already fully utilized, we will need to acquire additional widebody aircraft to grow internationally when the level of demand for international air travel supports such growth. We have contractual commitments to purchase the long-range widebody aircraft that we currently believe are necessary for our international growth, but significant delays in their deliveries have occurred. We have been, and continue to be, adversely impacted by those delays. If significant additional delays in the deliveries of these new aircraft occur, we will only be able to accomplish international growth by making alternate arrangements to acquire the necessary long-range aircraft, if available and possibly on less financially favorable terms, including higher ownership and operating costs.

Labor disruptions could adversely affect our operations. Although we enjoy generally good relations with our employees, we can provide no assurance that we will be able to maintain these good relations in the future or avoid labor disruptions, including a strike. The amendable dates for many of our collective bargaining agreements have passed, including the agreements with the unions representing our pilots, flight attendants and mechanics. We are currently in talks with representatives of the applicable unions. We cannot predict the outcome of these negotiations, and any labor disruption, including a strike, that results in a prolonged significant reduction in flights would have a material adverse effect on our results of operations and financial condition.

Our labor costs may not be competitive. Labor costs constitute a significant percentage of our total operating costs. All of the major hub-and-spoke carriers with whom we compete have achieved significant labor cost reductions, whether in or out of bankruptcy. Our wages, salaries and benefits cost per available seat mile, measured on a stage length adjusted basis, is higher than that of many of our competitors. These higher labor costs may adversely affect our ability to achieve and sustain profitability while competing with other airlines that have achieved lower relative labor costs. Additionally, we cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us.

If we experience problems with certain of our third party regional operators, our operations could be materially adversely affected. All of our regional operations are conducted by third party operators on our behalf, primarily under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this report. In addition, we may also experience disruption to our regional operations if we terminate the capacity purchase agreement with one or more of our current operators and transition the services to another provider. As our regional segment provides revenue to us directly and indirectly (by providing flow traffic to our hubs), a significant disruption to our regional operations could have a material adverse effect on our results of operations and financial condition.

Interruptions or disruptions in service at one of our hub airports could have a material adverse effect on our operations. We operate principally through our hub operations at New York Liberty, Houston Bush, Cleveland Hopkins and Guam. Substantially all of our flights either originate from or fly into one of these locations, contributing to a large amount of "origin and destination" traffic. A significant interruption or disruption in service at one of our hubs resulting from air traffic control delays, weather conditions, growth constraints, relations with third party service providers, failure of computer systems, labor relations, fuel supplies, terrorist activities, security breaches or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, our business could be materially adversely affected.

We could experience adverse publicity and declining revenues as a result of an accident involving our aircraft or the aircraft of our regional carriers. Any accident involving an aircraft that we operate or an aircraft that is operated under our brand by one of our regional carriers could have a material adverse effect on us if such accident created a public perception that our operations or those of our regional carriers are less safe or reliable than other airlines, resulting in passengers being reluctant to fly on us or our regional carriers. In addition, any such accident could expose us to significant tort liability. Although we currently maintain liability insurance in amounts and of the type we believe to be consistent with industry practice to cover damages arising from any such accidents, and our regional carriers carry similar insurance and generally indemnify us for their operations on our behalf, if our liability exceeds the applicable policy limits or the ability of a carrier to indemnify us, we could incur substantial losses from an accident.

A significant failure or disruption of the computer systems on which we rely could adversely affect our business. We depend heavily on computer systems and technology to operate our business, such as flight operations systems, communications systems, airport systems and reservations systems (including continental.com and third party global distribution systems). These systems could suffer substantial or repeated disruptions due to events beyond our control, including natural disasters, power failures, terrorist attacks, equipment or software failures, computer viruses or hackers. Any such disruptions could materially impair our flight and airport operations and our ability to market our services, and could result in increased costs, lost revenue and the loss or compromise of important data. Although we have taken measures in an effort to reduce the adverse effects of certain potential failures or disruptions, if these steps are not adequate to prevent or remedy the risks, our business may be materially adversely affected.

Our net operating loss carryforwards may be limited. At December 31, 2009, we had estimated net operating loss carryforwards ("NOLs") of $3.9 billion for federal income tax purposes that expire beginning in 2020 and continuing through 2029. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period.

In the event of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.16% for December 2009). Any unused annual limitation may be carried over to later years.

For purposes of Section 382, increases in share holdings by, or that result in a person becoming, a holder of 5% or more of the outstanding shares of our common stock are aggregated for purposes of determining whether an "ownership change" has occurred. Because our common stock has been trading at low market prices, the cost of acquiring a sufficient number of shares of our common stock to become a holder of 5% or more of the outstanding shares, and the cost of acquiring additional shares by existing holders, has decreased significantly from historical levels, increasing the possibility that we could experience an "ownership change." Although we cannot currently predict whether or when such an "ownership change" may occur, an ownership change as of December 31, 2009 would have resulted in a $103 million limit to our annual NOL utilization, before consideration of any built-in gains. The imposition of this limitation on our ability to use our NOLs to offset future taxable income could cause us to pay U.S. federal income taxes earlier than if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs. In addition, depending on the market value of our common stock at the time of any such ownership change, a limitation on our ability to use our NOLs could require us to recognize a significant non-cash tax charge, the amount of which we cannot estimate at this time.

Risk Factors Relating to the Airline Industry

The global recession could continue to result in less demand for air travel. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. The severe economic recession in the U.S. and global economies had a substantial negative impact on the demand for air carrier services beginning in the fourth quarter of 2008. This decline in demand has disproportionately reduced the volume of high-yield traffic in the premium cabins on domestic and international flights, as many business travelers either curtailed their travel or purchased lower yield economy tickets. The diminished volume of high-yield traffic has significantly reduced airline revenues since the fourth quarter of 2008.

We cannot predict how quickly or fully demand for air travel will recover. Stagnant or worsening global economic conditions that continue to contribute to the loss of business and leisure traffic, particularly the loss of high-yield international traffic in our first class and BusinessFirst cabins, could have a material adverse effect on our results of operations and financial condition.

The airline industry is highly competitive and susceptible to price discounting. The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand, or when they begin service to new cities or have excess capacity, to generate cash flow and to establish, increase or preserve market share. Some of our competitors have greater financial resources (including a larger percentage or more favorable fuel hedges against price increases) and/or lower cost structures than we do, in some cases as the result of bankruptcies and/or mergers. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient fare levels in domestic markets to achieve sustained profitability. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors have increased their international capacity, including service to some destinations that we currently serve. Additionally, the "open skies" agreement between the United States and the European Union, which became effective on March 30, 2008 is resulting in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. The “open skies” agreement between the United States and Japan announced in December 2009 is also likely to increase competition in affected markets if it becomes effective. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

Expanded government regulation could further increase our operating costs and restrict our ability to conduct our business. Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs and can adversely affect us. Additional laws, regulations, airport rates and charges and growth constraints have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. In addition, to address concerns about airport congestion, the FAA has designated certain airports, including New York Liberty, Kennedy and LaGuardia as “high density traffic airports,” and has imposed operating restrictions at these three airports, which may include capacity reductions. In addition, the FAA has designated New York Liberty and Kennedy as Level 3 Coordinated Airports under the International Air Transport Association Worldwide Scheduling Guidelines, which requires us to participate in seasonal FAA procedures for capacity allocation and schedule coordination for New York Liberty and to have slots to operate at that airport. Additional restrictions on airline routes and takeoff and landing slots may be proposed that could affect rights of ownership and transfer. Although we do not believe that these current operating restrictions will have a material adverse effect on our operations at New York Liberty, we cannot predict the impact of future capacity constraints or allocations or other restrictions on our operations that might be imposed by the FAA, Congress or other regulators, which could have a material adverse effect on us.

The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions, and which could include the temporary grounding of an entire aircraft type if the FAA identifies design, manufacturing, maintenance or other issues requiring immediate corrective action. FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environmental concerns, aircraft operation and safety and increased inspections and maintenance procedures to be conducted on older aircraft. These FAA directives or requirements could have a material adverse effect on us.

Many aspects of airlines' operations also are subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Future regulatory developments in the United States and abroad could adversely affect operations and increase operating costs in the airline industry. The European Union has issued a directive to member states to include aviation in its Greenhouse Gas ETS, which requires us to begin monitoring our emissions of carbon dioxide effective January 1, 2010 and have emissions allowances equal to the amount of our carbon dioxide emissions to operate flights to and from member states of the European Union in January 2012 and thereafter, including flights between the United States and the European Union. On December 16, 2009, we joined a lawsuit in the United Kingdom with the Air Transport Association of America, American and United to challenge the extension of the European Union’s ETS to include aviation and the imposition of its requirements on us. In addition, non-EU governments are expected to challenge the application of the EU ETS to their airlines; however, we may be forced to comply with the EU ETS requirements during the pendency of a legal challenge. We may have to purchase emissions allowances through the EU ETS to cover EU flights that exceed our free allowances, which could result in substantial costs for us.

Other regulatory actions that may be taken in the future by the U.S. government, other foreign governments or the International Civil Aviation Organization to address concerns about climate change and air emissions from the aviation sector are unknown at this time. Climate change legislation has been introduced in the U.S. Congress, including a proposal to require transportation fuel producers and importers to acquire allowances sufficient to offset the emissions resulting from combustion of their fuels. We cannot predict, however, if any such legislation will pass the Congress or, if passed and enacted into law, how it would specifically apply to the aviation industry. In addition, effective January 14, 2010, the Administrator of EPA found that current and projected concentrations of greenhouse gases in the atmosphere threaten the public health and welfare. Although legal challenges and legislative proposals are expected that may invalidate this endangerment finding and the EPA’s assertion of authority under the Clean Air Act, the finding could result in EPA regulation of commercial aircraft emissions if EPA finds, as expected, that such emissions contribute to greenhouse gas pollution.

The impact to us and our industry from any additional legislation or regulations addressing climate change is likely to be adverse and could be significant, particularly if regulators were to conclude that emissions from commercial aircraft cause significant harm to the upper atmosphere or have a greater impact on climate change than other industries. Potential actions may include the imposition of requirements on airlines or transportation fuel producers and importers to purchase emission offsets or credits, which could require participation in emissions allowance trading (such as required in the European Union) and increase the cost of carbon-based fuels (such as jet fuel), substantial taxes on emissions and growth restrictions on airline operations, among other potential regulatory actions.

Further, the ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available. We cannot provide assurance that laws or regulations enacted in the future will not have a significant adverse effect on us.

Additional terrorist attacks or international hostilities may further adversely affect our financial condition, results of operations and liquidity. The terrorist attacks of September 11, 2001 involving commercial aircraft severely and adversely affected our financial condition, results of operations and liquidity and the airline industry generally. Airlines continue to be a target of terrorist attacks. Additional terrorist attacks, even if not made directly on the airline industry, or the fear of such attacks (including elevated national threat warnings or selective cancellation or redirection of flights due to terror threats such as the August 2006 terrorist plot targeting multiple airlines, including us), could negatively affect us and the airline industry. The potential negative effects include increased security, insurance and other costs for us and lost revenue from increased ticket refunds and decreased ticket sales. Our financial resources might not be sufficient to absorb the adverse effects of any further terrorist attacks or other international hostilities involving the United States.

Additional security requirements may increase our costs and decrease our traffic. Since September 11, 2001, the Department of Homeland Security ("DHS") and TSA have implemented numerous security measures that affect airline operations and costs, and they are likely to implement additional measures in the future. Most recently, DHS has begun to implement the US-VISIT program (a program of fingerprinting and photographing foreign visa holders), announced that it will implement greater use of passenger data for evaluating security measures to be taken with respect to individual passengers, expanded the use of federal air marshals on our flights (who do not pay for their seats and thus displace revenue passengers and cause increased customer complaints from displaced passengers), begun investigating a requirement to install aircraft security systems (such as devices on commercial aircraft as countermeasures against portable surface to air missiles) and expanded cargo and baggage screening. DHS also has required certain flights to be cancelled on short notice for security reasons, and has required certain airports to remain at higher security levels than other locations. In addition, foreign governments also have begun to institute additional security measures at foreign airports we serve, out of their own security concerns or in response to security measures imposed by the United States.

Moreover, the TSA has imposed measures affecting the contents of baggage that may be carried on an aircraft. The TSA and other security regulators could impose other measures as necessary to respond to security threats that may arise in the future.

A large portion of the costs of these security measures is borne by the airlines and their passengers, and we believe that these and other security measures have the effect of decreasing the demand for air travel and the overall attractiveness of air transportation as compared to other modes of transportation. Additional security measures required by the U.S. and foreign governments in the future, such as further expanded cargo screening, might increase our costs or decrease the demand for air travel, adversely affecting our financial results.

The airline industry is heavily taxed. The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Certain of these fees and taxes must be included in the fares we advertise or quote to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the passenger. Further increases in fees and taxes may reduce demand for air travel and thus our revenues.

Airlines may continue to participate in industry consolidation or alliances, which could have a material adverse effect on us. We are facing stronger competition from carriers that have participated in industry consolidation and from expanded airline alliances and joint ventures.

Since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation and additional consolidation may occur in light of the recently completed merger of Delta and Northwest, which changed the competitive environment for us and the entire airline industry. As a result of the announcement of the Delta/Northwest merger agreement, we conducted a comprehensive review of our strategic alternatives and announced in April 2008 that we had determined that the best course for us was not to merge with another airline at such time. Through consolidation, carriers have the opportunity to significantly expand the reach of their networks, which is of primary importance to business travelers, and to achieve cost reductions by eliminating redundancy in their networks and their management structures.

Through participation in airline alliances and/or joint ventures, carriers granted anti-trust immunity by the appropriate regulatory authorities are able to coordinate their routes, pool their revenues and costs and enjoy other mutual benefits, such as frequent flier program reciprocity, achieving many of the benefits of consolidation. For example, in 2009, Air France-KLM, Delta and Northwest launched a new trans-Atlantic joint venture among those airlines that involves coordination of routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. American, British Airways and Iberia have received tentative DOT approval of their application for anti-trust immunity for a similar trans-Atlantic joint venture, which would also involve many of the same benefits. Delta recently attempted to induce Japan Airlines to leave its current alliance and join Delta's alliance, although it was unsuccessful.

There may be additional consolidation or changes in airline alliances and/or joint ventures in the future, any of which could result in one or more airlines or alliances with more extensive route networks and/or lower costs structures than currently exist, changing the competitive landscape for the airline industry and having a material adverse effect on us.

Insurance costs could increase materially or key coverage could become unavailable. The September 11, 2001 terrorist attacks led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial airlines. Furthermore, our ability to continue to obtain certain types of insurance remains uncertain. Since the terrorist attacks, the U.S. government has provided war risk (terrorism) insurance to U.S. commercial airlines to cover losses. War risk insurance in amounts necessary for our operations, and at premiums that are not excessive, is not currently available in the commercial insurance market. If the government discontinues this coverage in whole or in part, we may be able to obtain comparable coverage in the commercial insurance market only, if it is available at all, for substantially higher premiums and on more restrictive terms. If we are unable to obtain adequate war risk insurance, our business could be materially and adversely affected.

Public health threats affecting travel behavior could have a material adverse effect on the industry. Public health threats, such as the H1N1 flu virus, the bird flu, Severe Acute Respiratory Syndrome (SARs) and other highly communicable diseases, outbreaks of which have occurred in various parts of the world in which we operate, could adversely impact our operations and the worldwide demand for air travel. Travel restrictions or operational problems, such as quarantining of personnel or inability to access our facilities or aircraft in any part of the world in which we operate, or any reduction in the demand for air travel caused by public health threats in the future, may materially adversely affect our operations and financial results.

Our results of operations fluctuate due to seasonality and other factors associated with the airline industry. Due to greater demand for air travel during the summer months, revenue in the airline industry in the second and third quarters of the year is generally stronger than revenue in the first and fourth quarters of the year for most U.S. air carriers. Our results of operations generally reflect this seasonality, but also have been impacted by numerous other factors that are not necessarily seasonal, including excise and similar taxes, weather and air traffic control delays, as well as the other factors discussed above. As a result, our operating results for a quarterly period are not necessarily indicative of operating results for an entire year, and historical operating results are not necessarily indicative of future operating results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Flight Equipment

As of December 31, 2009, our operating fleet consisted of 337 mainline jets and 264 regional aircraft. The 337 mainline jets are operated exclusively by us, while the 264 regional aircraft are operated on our behalf by other operators under capacity purchase agreements.

We own or lease 274 regional jets. Of these, 212 are leased or subleased to ExpressJet and operated on our behalf under a capacity purchase agreement with ExpressJet, 37 are subleased to other operators but are not operated on our behalf and 25 are temporarily grounded. Additionally, our regional operating fleet includes 52 regional jet and turboprop aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of December 31, 2009:

Aircraft Type	Total	Owned	Leased	Third-Party Aircraft	Seats in Standard Configuration	Average Age (In Years)
Mainline (a):						
777-200ER	20	8	12	-	285	9.6
767-400ER	16	14	2	-	235	8.3
767-200ER	10	9	1	-	174	8.8
757-300	18	9	9	-	216	7.3
757-200	41	15	26	-	175	12.9
737-900ER	30	30	-	-	173	1.2
737-900	12	8	4	-	173	8.3
737-800	117	44	73	-	160	7.8
737-700	36	12	24	-	124	11.0
737-500	34	-	34	-	114	13.7
737-300	3	3	-	-	124	23.6
Total mainline	337	152	185	-		9.0
Regional (b):						
ERJ-145XR	89	-	89	-	50	
ERJ-145	138	18	105	15 (c)	50	
CRJ200LR	7	-	-	7 (c)	50	
Q400	14	-	-	14 (d)	74	
Q200	16	-	-	16(e)	37	
Total regional	264	18	194	52		
Total	601	170	379	52		

(a) Excludes seven grounded Boeing 737-500 aircraft (four owned and three leased) and ten grounded Boeing 737-300 aircraft (seven owned and three leased) and two leased 757-300 aircraft delivered but not yet placed into service.

(b) Excludes 25 ERJ-135 aircraft that are temporarily grounded and 15 ERJ145XR aircraft, 17 ERJ-145 aircraft and five ERJ-135 aircraft that are subleased to other operators, but are not operated on our behalf.

(c) Operated by Chautauqua under a capacity purchase agreement.

(d) Operated by Colgan under a capacity purchase agreement.

(e) Operated by CommutAir under a capacity purchase agreement.

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

Mainline Fleet Activity. During 2009, we placed into service 13 new Boeing 737-900ER aircraft, one new Boeing 737-800 aircraft and one leased Boeing 757-300 aircraft. We removed 20 Boeing 737-300 aircraft and eight Boeing 737-500 aircraft from service during 2009. We removed three additional Boeing 737-500 aircraft and one Boeing 737-300 aircraft from service in January 2010. By March 2010, we expect to remove our two remaining Boeing 737-300 aircraft from service.

At December 31, 2009, we had four owned and three leased Boeing 737-500 aircraft that were grounded. We had also grounded seven owned and three leased Boeing 737-300 aircraft. The three leased Boeing 737-300 aircraft were returned to the lessor in January 2010 and the leases on the three Boeing 737-500 aircraft will expire during the first half of 2012.

During 2009, we sold eight 737-500 aircraft to foreign buyers. We sold one grounded Boeing 737-500 aircraft to a foreign buyer in February 2010 and have agreements to sell the three remaining grounded Boeing 737-500 aircraft to foreign buyers. These sales are subject to customary closing conditions, some of which are outside of our control, and we cannot give any assurances that the buyers of these aircraft will be able to obtain financing for these transactions, that there will not be delays in deliveries or that the closing of these transactions will occur. We hold cash deposits that secure the buyers' obligations under the aircraft sale contracts and we are entitled to damages under the aircraft sale contract if the buyers do not take delivery of the aircraft when required.

We have also agreed to lease four Boeing 757-300 aircraft from Boeing Capital Corporation. As of December 31, 2009, three of these aircraft had been delivered, one of which had been placed into service. We expect all of these aircraft to be placed into service during 2010.

Regional Fleet Activity. In January 2009, we amended our capacity purchase agreement with Colgan to increase by 15 the number of Q400 aircraft to be operated by Colgan on our behalf. We expect that Colgan will begin operating these 15 additional aircraft as they are delivered to Colgan, beginning in the third quarter of 2010 through the second quarter of 2011. Each aircraft is scheduled to be covered by the agreement for ten years following the date the aircraft is delivered into service. Colgan supplies all of the aircraft that it operates under the agreement.

In July 2009, we entered into agreements to sublease five temporarily grounded ERJ-135 aircraft to Chautauqua. These aircraft will not be operated for us. The subleases have terms of five years, but may be cancelled by the lessee under certain conditions after an initial term of two years. The remaining 25 ERJ-135 aircraft continue to be temporarily grounded. The leases on the 30 ERJ-135 aircraft expire in 2016 through 2018. We are evaluating our options regarding these 25 aircraft, including permanently grounding them.

In December 2009, we agreed with ExpressJet to amend our capacity purchase agreement to permit ExpressJet to fly eight ERJ-145 aircraft for another carrier under a capacity purchase agreement. These eight aircraft are subleased from us and were previously flown for us under our capacity purchase agreement. As of December 31, 2009, two of these aircraft had been removed from service for us. The remaining six aircraft will be removed from service for us during the first half of 2010. The subleases have an average initial term of two and one-half years.

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

We are currently scheduled to take delivery of two Boeing 777 aircraft and 12 Boeing 737 aircraft in 2010. Due to issues arising out of the governmental certification process used by the manufacturer of the coach seats on the Boeing 777 aircraft and the coach and first class seats on the Boeing 737 aircraft scheduled for delivery this year, we expect a delay in delivery of between one and six months for most of the aircraft scheduled for delivery in 2010. This seat manufacturer also provided the seats installed on most of the Boeing aircraft currently in our fleet. We do not believe these issues will have a material impact on our ability to continue to operate any of the aircraft in our fleet.

Facilities

Our principal facilities are located at New York Liberty, Houston Bush, Cleveland Hopkins and A.B. Won Pat International Airport in Guam. Substantially all of these facilities are leased on a net-rental basis, as we are responsible for maintenance, insurance and other facility-related expenses and services. At each hub location, we generally have multiple leases covering different types of facilities, and those leases have expiration dates ranging from 2010 to 2030.

At each of our three domestic hub cities and most other locations, our passenger and baggage handling space is leased directly from the airport authority on varying terms dependent on prevailing practice at each airport. We also maintain administrative offices, terminal, catering, cargo and other airport facilities, training facilities, maintenance facilities and other facilities, in each case as necessary to support our operations in the cities we serve.

See Item 8. “Financial Statements and Supplementary Data, Note 19 – Commitments and Contingencies” for a discussion of certain of our guarantees relating to our principal facilities, as well as our contingent liability for US Airways’ obligations under a lease agreement covering the East End Terminal at LaGuardia Airport.

Item 3.   Legal Proceedings.

Legal Proceedings

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

Environmental Proceedings

Under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (commonly known as "Superfund") and similar state environment cleanup laws, generators of waste disposed of at designated sites may, under certain circumstances, be subject to joint and several liability for investigation and remediation costs. We (including our predecessors) have been identified as a potentially responsible party at one federal site and one state site that are undergoing or have undergone investigation or remediation. Although applicable case law is evolving and some cases may be interpreted to the contrary, we believe that some or all of any liability claims associated with these sites were discharged by confirmation of our 1993 Plan of Reorganization, principally because our exposure is based on alleged offsite disposal known as of the date of confirmation. Even if any such claims were not discharged, on the basis of currently available information, we believe that our potential liability for our allocable share of the cost to remedy each site (if and to the extent we are found to be liable) is not, in the aggregate, material; however, we have not been designated a "de minimis" contributor at either site.

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

Although we are not currently subject to any environmental cleanup orders imposed by regulatory authorities, we are undertaking voluntary investigation or remediation at certain properties in consultation with such authorities. The full nature and extent of any contamination at these properties and the parties responsible for such contamination have not been determined, but based on currently available information and our current reserves, we do not believe that any environmental liability associated with such properties will have a material adverse effect on us.

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

General

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

Item 4.   Submission of Matters to a Vote of Security Holders.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Information

Our Class B common stock, which we refer to as our common stock, trades on the NYSE under the symbol "CAL." The table below shows the high and low sales prices for our common stock as reported in the consolidated transaction reporting system during 2009 and 2008.

		Class B Common Stock	
		High	Low
2009	Fourth Quarter	$18.75	$10.94
	Third Quarter	$17.55	$8.76
	Second Quarter	$15.76	$7.86
	First Quarter	$21.83	$6.37
2008	Fourth Quarter	$20.89	$9.49
	Third Quarter	$21.40	$5.91
	Second Quarter	$23.42	$9.70
	First Quarter	$31.25	$17.19

As of February 16, 2010, there were approximately 18,890 holders of record of our common stock. We paid no cash dividends on our common stock during 2009 or 2008 and have no current intention of doing so.

Our certificate of incorporation provides that no shares of capital stock may be voted by or at the direction of persons who are not U.S. citizens unless the shares are registered on a separate stock record. Our bylaws further provide that no shares will be registered on the separate stock record if the amount so registered would exceed U.S. foreign ownership restrictions. United States law currently limits the voting power in us (and other U.S. airlines) of persons who are not citizens of the United States to 25%.

Equity Compensation Plans

See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding our equity compensation plans as of December 31, 2009.

Issuer Purchases of Equity Securities

None.

Item 6. SELECTED FINANCIAL DATA

The following financial information for the five years ended December 31, 2009 has been derived from our consolidated financial statements. This information should be read in conjunction with our consolidated financial statements and note thereto included in Item 8. "Financial Statements and Supplementary Data" of this report.

Statement of Operations Data (in millions except per share data):

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Operating revenue	$12,586	$15,241	$14,232	$13,128	$11,208
Operating expenses	12,732	15,555	13,545	12,660	11,247
Operating income (loss)	(146)	(314)	687	468	(39)
Income (loss) before cumulative effect of change in accounting principle	(282)	(586)	439	361	(75)
Cumulative effect of change in accounting principle	-	-	-	(26)	-
Net income (loss)	(282)	(586)	439	335	(75)
Net income (loss) excluding special items (1)	(295)	(352)	529	296	(212)
Earnings (loss) per share:					
Basic:					
Income (loss) before cumulative effect of change in accounting principle	$(2.18)	$(5.54)	$ 4.53	$ 4.05	$(1.06)
Cumulative effect of change in accounting principle	-	-	-	(0.29)	-
Net income (loss)	$(2.18)	$(5.54)	$ 4.53	$ 3.76	$(1.06)
Diluted:					
Income (loss) before cumulative effect of change in accounting principle	$(2.18)	$(5.54)	$ 4.05	$ 3.51	$(1.08)
Cumulative effect of change in accounting principle	-	-	-	(0.23)	-
Net income (loss)	$(2.18)	$(5.54)	$ 4.05	$ 3.28	$(1.08)

(1) See "Reconciliation of GAAP to non-GAAP Financial Measures" in this Item.

Balance Sheet Data (in millions):

	As of December 31,				
	2009	2008	2007	2006	2005
Unrestricted cash, cash equivalents and short-term investments	$2,856	$2,643	$2,803	$2,484	$ 1,957
Total assets	12,781	12,686	12,105	11,308	10,529
Long-term debt and capital lease obligations	5,291	5,353	4,337	4,820	5,010
Stockholders' equity	590	123	1,569	386	273

Selected Operating Data

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

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Mainline Operations:					
Passengers (thousands) (1)	45,573	48,682	50,960	48,788	44,939
Revenue passenger miles (millions) (2)	79,824	82,806	84,309	79,192	71,261
Available seat miles (millions) (3)	97,407	102,527	103,139	97,667	89,647
Cargo ton miles (millions)	948	1,005	1,037	1,075	1,018
Passenger load factor (4):					
Mainline	81.9%	80.8%	81.7%	81.1%	79.5%
Domestic	84.8%	83.3%	83.9%	83.6%	81.2%
International	79.2%	78.2%	79.4%	78.2%	77.5%
Passenger revenue per available seat mile (cents)	9.49	11.10	10.47	9.96	9.32
Total revenue per available seat mile (cents)	10.92	12.51	11.65	11.17	10.46
Average yield per revenue passenger mile (cents) (5)	11.58	13.75	12.80	12.29	11.73
Average fare per revenue passenger	$204.89	$236.26	$214.06	$201.81	$188.67
Cost per available seat mile (cents)	10.75	12.44	10.83	10.56	10.22
Cost per available seat mile excluding special charges and aircraft fuel and related taxes (cents) (6)	7.79	7.50	7.57	7.42	7.42
Average price per gallon of fuel, including fuel taxes	$1.98	$3.27	$2.18	$2.06	$1.78
Fuel gallons consumed (millions)	1,395	1,498	1,542	1,471	1,376
Aircraft in fleet at end of period (7)	337	350	365	366	356
Average length of aircraft flight (miles)	1,550	1,494	1,450	1,431	1,388
Average daily utilization of each aircraft (hours) (8)	10:37	11:06	11:34	11:07	10:31
Regional Operations:					
Passengers (thousands) (1)	17,236	18,010	17,970	18,331	16,076
Revenue passenger miles (millions) (2)	9,312	9,880	9,856	10,325	8,938
Available seat miles (millions) (3)	12,147	12,984	12,599	13,251	11,973
Passenger load factor (4)	76.7%	76.1%	78.2%	77.9%	74.7%
Passenger revenue per available seat mile (cents)	15.59	18.14	17.47	17.15	15.67
Average yield per revenue passenger mile (cents) (5)	20.34	23.83	22.33	22.01	20.99
Aircraft in fleet at end of period (7)	264	282	263	282	266

	Year Ended December 31,				
	2009	2008	2007	2006	2005
Consolidated Operations:					
Passengers (thousands) (1)	62,809	66,692	68,930	67,119	61,015
Revenue passenger miles (millions) (2)	89,136	92,686	94,165	89,517	80,199
Available seat miles (millions) (3)	109,554	115,511	115,738	110,918	101,620
Passenger load factor (4)	81.4%	80.2%	81.4%	80.7%	78.9%
Passenger revenue per available seat mile (cents)	10.17	11.89	11.23	10.82	10.07
Average yield per revenue passenger mile (cents) (5)	12.50	14.82	13.80	13.41	12.76
Cost per available seat mile (cents)	11.62	13.47	11.70	11.41	11.07
Cost per available seat mile excluding special charges and aircraft fuel and related taxes (cents) (6)	8.46	8.19	8.21	8.06	8.08
Average price per gallon of fuel, including fuel taxes	$1.97	$3.27	$2.18	$2.06	$1.78
Fuel gallons consumed (millions)	1,681	1,809	1,853	1,791	1,671

(1) The number of revenue passengers measured by each flight segment flown.
(2) The number of scheduled miles flown by revenue passengers.
(3) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
(4) Revenue passenger miles divided by available seat miles.
(5) The average passenger revenue received for each revenue passenger mile flown.
(6) See “Reconciliation of GAAP to non-GAAP Financial Measures” in this Item.
(7) Excludes aircraft that were removed from service. Regional aircraft include aircraft operated by all carriers under capacity purchase agreements, but exclude any aircraft that were subleased to other operators but not operated on our behalf.
(8) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

Reconciliation of GAAP to non-GAAP Financial Measures

Non-GAAP financial measures are presented because they provide management and investors the ability to measure and monitor our performance on a consistent basis. Special items relate to activities that are not central to our ongoing operations or are unusual in nature. A reconciliation of net income (loss) to the non-GAAP financial measure of net income (loss) excluding special items for the year ended December 31 is as follows (in millions):

	2009	2008	2007	2006	2005
Net income (loss) excluding special items:					
Net income (loss) – GAAP	$(282)	$(586)	$439	$335	$(75)
Special charges:					
Operating (expense) income:					
Aircraft-related charges	(89)	(40)	22	18	16
Pension settlement/curtailment charges	(29)	(52)	(31)	(59)	(83)
Severance	(5)	(34)	-	-	-
Route impairment	(12)	(18)	-	-	-
Other	(10)	(37)	(4)	14	-
Other special (expense) income items:					
Gains on sale of investments	-	78	37	92	204
Loss on fuel hedge contracts with Lehman Brothers	-	(125)	-	-	-
Other-than-temporary impairment of auction rate securities	-	(60)	-	-	-
Fair value of auction rate securities put right received	-	26	-	-	-
Income tax benefit (expense):					
Intraperiod tax allocation	158	-	-	-	-
NOL utilization	-	28	(114)	-	-
Cumulative effect of change in accounting principal	-	-	-	(26)	-
Total special items – income (expense)	13	(234)	(90)	39	137
Net income (loss) excluding special items – non-GAAP	$(295)	$(352)	$529	$296	$(212)

Cost per available seat mile (CASM) is a common metric used in the airline industry to measure an airline's cost structure and efficiency. CASM trends can be distorted by items that are not central to our ongoing operations or are unusual in nature. Additionally, both the cost and availability of fuel are subject to many economic and political factors beyond our control. CASM excluding special charges and aircraft fuel and related taxes provides management and investors the ability to measure our cost performance absent special items and fuel price volatility. A reconciliation of GAAP operating expenses used to determine CASM to the non-GAAP operating expenses used to determine CASM excluding special charges and aircraft fuel and related taxes for the year ended December 31 is as follows (in millions, except CASM amounts):

	2009	2008	2007	2006	2005
Mainline cost per available seat mile excluding special charges and aircraft fuel and related taxes:					
Operating expenses – GAAP	$10,471	$12,753	$11,171	$10,314	$ 9,162
Special charges:					
Aircraft-related charges	(70)	(40)	22	18	16
Pension settlement/curtailment charges	(29)	(52)	(31)	(59)	(83)
Severance	(5)	(34)	-	-	-
Route impairment	(12)	(18)	-	-	-
Other	(9)	(11)	(4)	14	-
Aircraft fuel and related taxes	(2,755)	(4,905)	(3,354)	(3,034)	(2,443)
Operating expenses excluding above items – non-GAAP	$ 7,591	$ 7,693	$ 7,804	$ 7,253	$ 6,652
Available seat miles – mainline	97,407	102,527	103,139	97,667	89,647
CASM – GAAP (cents)	10.75	12.44	10.83	10.56	10.22
CASM excluding special charges and aircraft fuel and related taxes – non-GAAP (cents)	7.79	7.50	7.57	7.42	7.42
Consolidated cost per available seat mile excluding special charges and aircraft fuel and related taxes:					
Operating expenses – GAAP	$12,732	$15,555	$13,545	$12,660	$11,247
Special charges:					
Aircraft-related charges	(89)	(40)	22	18	16
Pension settlement/curtailment charges	(29)	(52)	(31)	(59)	(83)
Severance	(5)	(34)	-	-	-
Route impairment	(12)	(18)	-	-	-
Other	(10)	(37)	(4)	14	-
Aircraft fuel and related taxes	(3,317)	(5,919)	(4,034)	(3,697)	(2,974)
Operating expenses excluding above items – non-GAAP	$ 9,270	$ 9,455	$ 9,498	$ 8,936	$ 8,206
Available seat miles – consolidated	109,554	115,511	115,738	110,918	101,620
CASM – GAAP (cents)	11.62	13.47	11.70	11.41	11.07
CASM excluding special charges and aircraft fuel and related taxes – non-GAAP (cents)	8.46	8.19	8.21	8.06	8.08

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of those risks and uncertainties, see the cautionary statements contained in Item 1A. " Risk Factors – Risk Factors Relating to the Company" and "Risk Factors – Risk Factors Relating to the Airline Industry." We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report, except as required by applicable law.

Overview

We recorded a net loss of $282 million for the year ended December 31, 2009, as compared to a net loss of $586 million for the year ended December 31, 2008. Our net loss in 2009 was primarily the result of the global recession. Excluding special items, we recorded a net loss of $295 million for the year ended December 31, 2009, compared to a net loss of $352 million for the year ended December 31, 2008. Net loss excluding special items is significant because it provides management and investors the ability to measure and monitor our performance on a consistent basis. Special items relate to activities that are not central to our ongoing operations or are unusual in nature. A reconciliation of our net loss to the non-GAAP financial measure of net loss excluding special items is provided in Item 6. "Selected Financial Data."

2009 Financial Highlights

- Passenger revenue decreased 18.9% during 2009 as compared to 2008, primarily due to lower fares and less high-yield business traffic attributable to the global recession.

- Operating income (loss), a key measure of our performance, improved to a loss of $146 million in 2009 compared to a $314 million loss in 2008, primarily due to lower fuel prices offset by lower revenue.

- We raised approximately $1.7 billion through the issuance of common stock, enhanced equipment trust certificates and convertible debt and through other new secured borrowings.

- Unrestricted cash, cash equivalents and short-term investments totaled $2.9 billion at December 31, 2009, as compared to $2.6 billion at December 31, 2008.

2009 Operational Highlights

- We joined Star Alliance on October 27, 2009.

- Consolidated traffic decreased 3.8% and capacity decreased 5.2% during 2009 as compared to 2008, resulting in a consolidated load factor of 81.4%, 1.2 points higher than the prior year consolidated load factor.

- We recorded a DOT on-time arrival rate of 78.8% for Continental mainline flights and a mainline segment completion factor of 99.5% for 2009, compared to a DOT on-time arrival rate of 74.0% and a mainline segment completion factor of 98.9% for 2008. We also operated 101 days without a single mainline flight cancellation.

- We placed into service 13 new Boeing 737-900ER, one new Boeing 737-800 and one leased Boeing 757-300 aircraft and removed 20 Boeing 737-300 and eight Boeing 737-500 aircraft from our mainline fleet. The average age of our mainline fleet was nine years at December 31, 2009.

Outlook

The severe global economic recession significantly diminished the demand for air travel beginning in the fourth quarter of 2008 and disrupted the global capital markets, resulting in a difficult financial environment for U.S. network carriers. Although we have seen some indications that the airline industry may be experiencing the early stages of a recovery, we cannot predict how quickly or fully demand for air travel will recover, and continued weakness in such demand would hinder our ability to achieve and sustain profitability. Moreover, although access to the capital markets has improved over the past several months, as evidenced by our recent financing transactions, we cannot give any assurances that we will be able to obtain additional financing or otherwise access the capital markets in the future on acceptable terms (or at all). We must achieve and sustain profitability and/or access the capital markets to meet our significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines.

<u>Economic Conditions</u>. The severe economic recession in the U.S. and global economies has had a significant negative impact on the demand for air carrier services beginning in the fourth quarter of 2008. Passenger revenue in 2009 for U.S. airlines, as reported by the Air Transport Association of America, declined 18% compared to 2008. The decline in demand for air travel in 2008 and 2009 disproportionately reduced the volume of high-yield traffic, as many business travelers either curtailed their travel or purchased lower yield economy tickets. Although recent improvements in corporate bookings and revenue trends suggest that the airline industry may be experiencing the early stages of a recovery, we cannot predict how quickly or fully demand for air travel will recover. If global economic conditions fail to improve or worsen, resulting in continuing demand weakness and reduced revenues, we may be unable to offset the reduced revenues fully through further cost and capacity reductions or other measures.

In addition to its effect on demand for our services, the global economic recession severely disrupted the global capital markets, resulting in a diminished availability of financing and higher cost for financing that was obtainable. Although access to the capital markets has improved over the past several months, as evidenced by our recent financing transactions, if economic conditions again worsen or these markets experience further disruptions, we may be unable to obtain financing on acceptable terms (or at all) to refinance certain maturing debt we would normally expect to refinance and to satisfy future capital commitments.

<u>Fuel Costs</u>. We benefited from significantly lower fuel costs during 2009. Our average consolidated (mainline and regional) jet fuel price per gallon including related taxes decreased to $1.97 in 2009 from $3.27 in 2008. If fuel prices rise significantly from their current levels, we may be unable to raise fares or other fees sufficiently to offset fully our increased costs.

In an effort to address the risk of rising fuel prices, we enter into fuel hedging arrangements from time to time, including collars that minimize the up-front costs. However, a precipitous decline in crude oil prices, as experienced during the second half of 2008, may result in significant costs to us in cases where our hedging arrangements obligate us to make payments to the counterparties to the extent that the price of crude falls below the applicable agreed-upon amounts. Our hedge contracts for 2009, which were largely entered into before oil prices fell, resulted in $0.23 per gallon of additional fuel expense during 2009.

Based on our expected fuel consumption in 2010, a one dollar change in the price of a barrel of crude oil would change our annual fuel expense by approximately $41 million, assuming no changes to the refining margins and our fuel hedging program. We believe that our modern, fuel-efficient fleet continues to provide us with a competitive advantage relative to our peers and a long-term hedge against rising fuel prices.

<u>Revenue-Generating and Cost Saving Measures</u>. In response to the significant decline in revenue, we implemented a number of measures to raise revenues and reduce costs that are designed to achieve approximately $100 million in annual benefits when fully implemented in 2010. These measures included the elimination of certain operational, management and clerical positions across the company during 2009. We also increased or implemented fees for certain services we provide, including checked baggage.

Going forward, we intend to offer additional goods and services relating to air travel that will permit customers to select product attributes that they wish to consume, and pay for, and not select other product attributes that they do not wish to consume or pay for. A portion of the goods and services will come from "unbundling" our current product, while another portion will come from goods and services that we do not currently offer. The revenue that we derive from these goods and services, which is generally referred to as ancillary revenue, typically has higher margins than that of our core product and is an important element of our strategy to return to profitability and sustain that profitability.

Additionally, we will continue to invest in technology designed to assist customers with self-service. We believe that many of our customers desire more control over their travel experience, and wish to use tools that will permit them to do so through all phases of travel, from pre-purchase to post-flight. We will also invest in technology designed to help us make better operational decisions and more efficiently assist customers at airports, while lowering our operating costs.

<u>Capacity</u>. Because of the adverse economic conditions in 2009, we reduced our consolidated capacity by 5.2% in 2009 and rescheduled aircraft deliveries. We do not anticipate returning to significant capacity growth unless the level of demand for air travel, economic conditions and our financial performance improve sufficiently to justify such growth. We expect only modest capacity growth for 2010, with our consolidated capacity increasing between 1.0% and 2.0%. We expect our mainline capacity to increase between 1.5% and 2.5%, with mainline domestic capacity remaining about flat and mainline international capacity increasing between 4.0% and 5.0%. The international capacity increase is primarily due to the run-rate of international routes added in 2009 and the restoration of our schedule to Mexico following our capacity reductions in 2009 related to the H1N1 flu virus.

Our future ability to grow our capacity could be adversely impacted by manufacturer delays in aircraft deliveries. We currently expect the first of our 25 Boeing 787 aircraft to be delivered in the second half of 2011, approximately two and a half years late.

Star Alliance. On October 27, 2009, we joined Star Alliance and implemented code-sharing and reciprocity of frequent flier programs, elite customer recognition and airport lounge use with United, Lufthansa, Air Canada and other Star Alliance members.

On July 10, 2009, the DOT approved our application to join United and a group of eight other carriers within Star Alliance that already hold antitrust immunity. This approval enables us, United and these other immunized Star Alliance carriers to work closely together to deliver highly competitive international flight schedules, fares and service and provides competitive balance to antitrust-immunized carriers in SkyTeam. Additionally, we, United, Lufthansa and Air Canada have received final DOT approval to establish a trans-Atlantic joint venture to create a more efficient and comprehensive trans-Atlantic network for our respective customers, offering those customers more service, scheduling and pricing options and establishing a framework for similar joint ventures in other regions of the world. The DOT's approval of antitrust immunity is subject to certain conditions and limitations that are not expected to diminish materially the benefits of our participation in Star Alliance or the trans-Atlantic joint venture. On December 23, 2009, we, United and ANA filed an application with the DOT for antitrust immunity to enable the three carriers to establish a trans-Pacific joint venture, offering similar benefits to our trans-Pacific customers. We are seeking a modification to our pilot collective bargaining agreement to permit us to engage in revenue sharing with a domestic air carrier, which is a component of the proposed joint ventures.

The full implementation of some of the arrangements relating to Star Alliance requires the approval of domestic and foreign regulatory agencies. These agencies may deny us necessary approvals, delay certain approvals or, in connection with granting any such approvals, impose requirements, limitations or costs on us or on other Star Alliance members, or require us or them to divest slots, gates, routes or other assets. In certain cases, such actions could prevent us from consummating the transactions contemplated by our alliance agreements.

Labor Costs. Our ability to achieve and sustain profitability also depends on continuing our efforts to implement and maintain a more competitive cost structure. Approximately 97% of our full-time equivalent employees represented by unions as of December 31, 2009 are covered by collective bargaining agreements that are currently amendable or become amendable in 2010. In addition, on February 12, 2010, the National Mediation Board informed us that our fleet service employees had voted in favor of representation by the Teamsters. The election covers approximately 7,600 employees, or 6,340 full-time equivalent ramp, operations and cargo agents. The collective bargaining agreements with our pilots, mechanics and certain other work groups became amendable in December 2008 and those with our flight attendants and CMI mechanics became amendable in December 2009. On July 6, 2009, our flight simulator technicians ratified a new four-year collective bargaining agreement with us. With respect to our workgroups with amendable contracts, we have been meeting with representatives of the applicable unions to negotiate amended collective bargaining agreements with a goal of reaching agreements that are fair to us and to our employees, but to date the parties have not reached new agreements. Negotiations often take considerable time. For example, we began negotiating with our pilots' union in February 2007, and we only received their first economic proposal in December 2009. We cannot predict the outcome of our ongoing negotiations with our unionized workgroups, although significant increases in the pay and benefits resulting from new collective bargaining agreements could have a material adverse effect on us. Furthermore, there can be no assurance that our generally good labor relations and high labor productivity can continue.

Results of Operations

Special Items. The comparability of our financial results between years is affected by a number of special items. Our results for each of the last three years include the following special items (in millions):

	Income (Expense)		
	2009	2008	2007
Operating (expense) income:			
Aircraft-related charges (1)	$ (89)	$ (40)	$ 22
Pension settlement charges (2)	(29)	(52)	(31)
Severance (1)	(5)	(34)	-
Route impairment (3)	(12)	(18)	-
Other (1)	(10)	(37)	(4)
Total special charges classified as operating items	(145)	(181)	(13)
Nonoperating (expense) income:			
Gains on sales of investments (4)	-	78	37
Loss on fuel hedge contracts with Lehman Brothers (5)	-	(125)	-
Other-than-temporary impairment of auction rate securities (6)	-	(60)	-
Fair value of auction rate securities put right received (6)	-	26	-
Total special non-operating items	-	(81)	37
Income tax benefit (expense):			
Intraperiod tax allocation (7)	158	-	-
NOL utilization (7)	-	28	(114)
Total special items – income (expense)	$ 13	$(234)	$ (90)

(1) See Note 13 to our consolidated financial statements contained in Item 8 of this report.
(2) See Note 11 to our consolidated financial statements contained in Item 8 of this report.
(3) See Notes 1 and 2 to our consolidated financial statements contained in Item 8 of this report.
(4) See Note 14 to our consolidated financial statements contained in Item 8 of this report.
(5) See Note 7 to our consolidated financial statements contained in Item 8 of this report.
(6) See Note 6 to our consolidated financial statements contained in Item 8 of this report.
(7) See Note 12 to our consolidated financial statements contained in Item 8 of this report.

Comparison of Year Ended December 31, 2009 to December 31, 2008

Consolidated Results of Operations

Significant components of our consolidated operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$12,586	$15,241	$ (2,655)	(17.4)%
Operating expenses	12,732	15,555	(2,823)	(18.1)%
Operating loss	(146)	(314)	(168)	(53.5)%
Nonoperating income (expense)	(293)	(381)	(88)	(23.1)%
Income tax benefit	157	109	48	44.0 %
Net loss	$ (282)	$ (586)	$ (304)	(51.9)%

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the year ended December 31, 2009 and period to period comparisons for operating revenue, passenger revenue per available seat mile ("RASM") and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Revenue (in millions)	% Increase (Decrease) in 2009 vs 2008		
		Revenue	RASM	ASMs
Passenger revenue:				
Domestic	$ 4,581	(18.7)%	(12.6)%	(6.9)%
Trans-Atlantic	2,249	(24.6)%	(17.2)%	(8.9)%
Latin America	1,483	(15.3)%	(16.0)%	0.9 %
Pacific	931	(8.4)%	(15.4)%	8.5 %
Total Mainline	9,244	(18.8)%	(14.5)%	(5.0)%
Regional	1,894	(19.6)%	(14.0)%	(6.4)%
Total	11,138	(18.9)%	(14.5)%	(5.2)%
Cargo	366	(26.4)%		
Other	1,082	7.4 %		
Operating revenue	$12,586	(17.4)%		

Passenger revenue decreased significantly in 2009 as compared to 2008 due to reduced traffic, less capacity and lower RASM. The reduced traffic and lower RASM reflects lower fares and less high-yield business traffic attributable to the global recession. The decline in demand has disproportionately reduced the volume of high-yield traffic, as many business travelers are either curtailing their travel or purchasing lower yield economy tickets.

Cargo revenue decreased due to lower fuel surcharge rates and decreased freight volume. Other revenue increased due to the implementation of new fees for checking bags in 2008 and a change in how certain costs are handled under our capacity purchase agreement with ExpressJet, offset in part by a reduction in sublease income received from ExpressJet and decreased revenue associated with sales of mileage credits in our OnePass frequent flyer program and ticket change fees.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the year ended December 31 (in millions, except percentage changes):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	$3,317	$ 5,919	$(2,602)	(44.0)%
Wages, salaries and related costs	3,137	2,957	180	6.1 %
Aircraft rentals	934	976	(42)	(4.3)%
Regional capacity purchase, net	848	1,059	(211)	(19.9)%
Landing fees and other rentals	841	853	(12)	(1.4)%
Distribution costs	624	717	(93)	(13.0)%
Maintenance, materials and repairs	617	612	5	0.8 %
Depreciation and amortization	494	438	56	12.8 %
Passenger services	373	406	(33)	(8.1)%
Special charges	145	181	(36)	NM
Other	1,402	1,437	(35)	(2.4)%
	$12,732	$15,555	$(2,823)	(18.1)%

NM – Not meaningful

Operating expenses decreased 18.1% primarily due to the following:

- Aircraft fuel and related taxes decreased due to a 39.8% decrease in consolidated jet fuel prices and decreased flying. Our average jet fuel price per gallon including related taxes decreased to $1.97 in 2009 from $3.27 in 2008. Our average jet fuel price includes losses related to our fuel hedging program of $0.23 per gallon in 2009 compared to losses of $0.10 per gallon in 2008.

- Wages, salaries and related costs increased primarily due to $155 million of higher pension expense resulting primarily from lower returns on plan assets in 2008. Higher wage rates and health insurance costs were offset by a 5% reduction in the number of full-time equivalent employees.

- Aircraft rentals decreased due to the retirement of leased Boeing 737 aircraft in 2008 and 2009. New aircraft delivered in 2008 and 2009 were purchased, with the related expense being reported in depreciation and amortization and interest expense.

- Regional capacity purchase, net, includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. We also have agreements with Chautauqua, Colgan and CommutAir. The net amounts consisted of the following for the year ended December 31 (in millions, except percentage changes):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	$848	$1,181	$(333)	(28.2)%
Aircraft sublease income	-	(122)	(122)	(100.0)%
Regional capacity purchase, net	$848	$1,059	$(211)	(19.9)%

Capacity purchase expenses decreased due to rate reductions in conjunction with our amended capacity purchase agreement with ExpressJet effective July 1, 2008 and capacity reductions. There was no aircraft sublease income in 2009 because ExpressJet no longer pays sublease rent for aircraft operated on our behalf. Sublease income on aircraft that were subleased to other operators, but not operated on our behalf, of $23 million and $76 million for 2009 and 2008, respectively, is recorded as other revenue.

- Distribution costs decreased due to lower credit card discount fees, booking fees and travel agency commissions, all of which resulted from decreased passenger revenue.

- Depreciation and amortization expense increased in 2009 due to higher capitalizable project costs, acceleration of depreciation on exiting aircraft and increased depreciation from new aircraft.

- Passenger services expenses decreased due to fewer meals and beverages in 2009 compared to 2008, resulting from the decreased demand for air travel in the weak economy, and lower mishandled baggage expenses.

- Special charges. See Note 13 to our consolidated financial statements contained in Item 8 of this report for a discussion of the special charges.

- Other operating expenses decreased due to insurance settlements received in 2009 related to Hurricane Ike, reduced technology expenses resulting from new contracts, lower expense due to station closings, the impact on certain expenses of more favorable foreign currency exchange rates, lower OnePass reward expenses and lower ground handling, security and outside services costs as a result of capacity reductions, partially offset by increases in expenses resulting from changes in who is contractually responsible for certain costs under our capacity purchase agreement with ExpressJet.

Nonoperating Income (Expense). Nonoperating expense decreased $88 million in 2009 compared 2008 due to the following:

- Net interest expense increased $44 million primarily as a result of lower interest income.

- Gain on sale of investments in 2008 consisted of $78 million related to the sale of our remaining interests in Copa.

- Other-than-temporary impairment losses on investments included a loss of $60 million in 2008 to reflect the decline in the value of our student loan-related auction rate securities.

- Other nonoperating income (expense) included fuel hedge ineffectiveness gains of $7 million and $26 million in 2009 and 2008, respectively. The ineffectiveness was caused by our non-jet fuel derivatives experiencing a higher relative increase in value than the jet fuel being hedged. Other nonoperating income (expense) in 2009 also included foreign exchange gains of $8 million, compared to losses of $37 million in 2008, and an increase in the fair value of the cash surrender value of company-owned life insurance policies. Additionally, other nonoperating income (expense) in 2008 included $125 million expense related to changes in the fair value of fuel derivative contracts with Lehman Brothers that were deemed ineffective after Lehman Brothers declared bankruptcy and a gain of $26 million related to our receipt of a put right covering certain of the student loan-related auction rate securities.

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

Excluding this special item, our effective tax rates differ from the federal statutory rate of 35% primarily due to the following: changes in the valuation allowance, expenses that are not deductible for federal income tax purposes and state income taxes. We are required to provide a valuation allowance for our deferred tax assets in excess of deferred tax liabilities because we have concluded that it is more likely than not that such deferred tax assets ultimately will not be realized.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using larger jets while the regional segment currently consists of flights with a capacity of 79 or fewer seats. As of December 31, 2009, the regional segment was operated by ExpressJet, Chautauqua, CommutAir and Colgan through capacity purchase agreements. Under these agreements, we purchase all of the capacity related to aircraft covered by the contracts and are responsible for setting prices and selling all of the related seat inventory. In exchange for the regional carriers' operation of the flights, we pay the regional carriers for each scheduled block hour based on agreed formulas. Under the agreements, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for most revenue-related expenses, including commissions, reservations and catering.

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

Mainline Results of Operations. Significant components of our mainline segment's operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$10,635	$12,827	$(2,192)	(17.1)%
Operating expenses:				
Aircraft fuel and related taxes	2,755	4,905	(2,150)	(43.8)%
Wages, salaries and related costs	2,968	2,850	118	4.1 %
Aircraft rentals	621	662	(41)	(6.2)%
Landing fees and other rentals	741	782	(41)	(5.2)%
Distribution costs	534	611	(77)	(12.6)%
Maintenance, materials and repairs	617	612	5	0.8 %
Depreciation and amortization	481	427	54	12.6 %
Passenger services	349	384	(35)	(9.1)%
Special charges	125	155	(30)	NM
Other	1,280	1,365	(85)	(6.2)%
	10,471	12,753	(2,282)	(17.9)%
Operating income	$ 164	$ 74	$ 90	121.6 %

The variances in specific line items for the mainline segment were due to the same factors discussed under consolidated results of operations.

Regional Results of Operations. Significant components of our regional segment's operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$1,951	$2,414	$(463)	(19.2)%
Operating expenses:				
Aircraft fuel and related taxes	562	1,014	(452)	(44.6)%
Wages, salaries and related costs	169	107	62	57.9 %
Aircraft rentals	313	314	(1)	(0.3)%
Regional capacity purchase, net	848	1,059	(211)	(19.9)%
Landing fees and other rentals	100	71	29	40.8 %
Distribution costs	90	106	(16)	(15.1)%
Depreciation and amortization	13	11	2	18.2 %
Passenger services	24	22	2	9.1 %
Special charges	20	26	(6)	NM
Other	122	72	50	69.4 %
	2,261	2,802	(541)	(19.3)%
Operating loss	$ (310)	$(388)	$ (78)	(20.1)%

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it feeds passengers from smaller cities into our hubs. The variances in specific line items for the regional segment reflect generally the same factors discussed under consolidated results of operations, with the exception of wages, salaries and related costs, landing fees and other rentals, passenger services and other operating expenses. These expenses increased for the regional segment due to changes in who is contractually responsible for certain costs under our capacity purchase agreement with ExpressJet and the transition of management of certain airports to us from ExpressJet.

Comparison of Year Ended December 31, 2008 to December 31, 2007

Consolidated Results of Operations

Significant components of our consolidated operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$15,241	$14,232	$ 1,009	7.1%
Operating expenses	15,555	13,545	2,010	14.8%
Operating income (loss)	(314)	687	(1,001)	NM
Nonoperating income (expense)	(381)	(131)	250	NM
Income tax benefit (expense)	109	(117)	226	NM
Net income (loss)	$ (586)	$ 439	$(1,025)	NM

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the year ended December 31, 2008 and period to period comparisons for operating revenue, RASM and ASMs by geographic region for our mainline and regional operations:

	Revenue (in millions)	% Increase (Decrease) in 2008 vs 2007		
		Revenue	RASM	ASMs
Passenger revenue:				
Domestic	$ 5,633	1.2 %	6.4 %	(4.9)%
Trans-Atlantic	2,983	11.6 %	2.5 %	8.9 %
Latin America	1,750	12.1 %	9.4 %	2.5 %
Pacific	1,016	2.3 %	8.5 %	(5.6)%
Total Mainline	11,382	5.4 %	6.0 %	(0.6)%
Regional	2,355	7.0 %	3.8 %	3.1 %
Total	13,737	5.7 %	5.9 %	(0.2)%
Cargo	497	9.7 %		
Other	1,007	28.4 %		
Operating revenue	$15,241	7.1 %		

Passenger revenue increased due to increased international traffic on increased capacity and increased fares. The improved RASM reflects our actions taken to increase fares and implement more restrictions on low fare tickets, as well as our domestic capacity reductions commenced in September 2008.

Cargo revenue increased due to higher fuel surcharge rates and increased mail volume. Other revenue increased due to higher revenue associated with sales of mileage credits on our OnePass frequent flyer program, higher ticket change fees, the implementation of new fees for checking bags and changes in how certain costs are handled under the ExpressJet CPA.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the year ended December 31 (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	$ 5,919	$ 4,034	$1,885	46.7 %
Wages, salaries and related costs	2,957	3,127	(170)	(5.4)%
Aircraft rentals	976	994	(18)	(1.8)%
Regional capacity purchase, net	1,059	1,113	(54)	(4.9)%
Landing fees and other rentals	853	790	63	8.0 %
Distribution costs	717	682	35	5.1 %
Maintenance, materials and repairs	612	621	(9)	(1.4)%
Depreciation and amortization	438	413	25	6.1 %
Passenger services	406	389	17	4.4 %
Special charges	181	13	168	NM
Other	1,437	1,369	68	5.0 %
	$15,555	$13,545	$2,010	14.8 %

Operating expenses increased 14.8% primarily due to the following:

- Aircraft fuel and related taxes increased due to a 50.0% increase in jet fuel prices. Our average jet fuel price per gallon including related taxes increased to $3.27 in 2008 from $2.18 in 2007. Our average jet fuel price includes losses related to our fuel hedging program of $0.10 per gallon in 2008, compared to gains of $0.02 per gallon in 2007.

- Wages, salaries and related costs decreased primarily due to a $172 million decrease in profit sharing expenses. Although the average number of full time equivalent employees decreased approximately 1% in 2008, the impact on expenses was offset by wage increases.

- Aircraft rentals decreased due to the retirement of several Boeing 737 aircraft. New aircraft delivered in 2008 were all purchased, with the related expense being reflected in depreciation and amortization.

- Regional capacity purchase, net includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net is net of our rental income on aircraft leased to ExpressJet and flown for us in 2007 and the first six months of 2008. Under the ExpressJet CPA, ExpressJet no longer pays sublease rent for aircraft operated on our behalf. The net amounts consisted of the following for the year ended December 31 (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	$1,181	$1,379	$(198)	(14.4)%
Aircraft sublease income	(122)	(266)	(144)	(54.1)%
Regional capacity purchase, net	$1,059	$1,113	$ (54)	(4.9)%

Regional capacity purchase, net did not change significantly compared to 2007. Sublease income on aircraft that were subleased to other operators, but not operated on our behalf, of $76 million and $79 million for 2008 and 2007, respectively, is recorded as other revenue.

- Landing fees and other rentals increased primarily due to a higher number of international flights and rate increases.

- Distribution costs, which consist primarily of reservation booking fees, credit card fees and commissions, increased due to a 5.7% increase in passenger revenue.

- Other operating expenses increased primarily due to a greater number of international flights, which resulted in increased air navigation fees and ground handling, security and related expenses, changes in who is contractually responsible for certain costs under the ExpressJet CPA and higher OnePass reward expenses.

- Special charges. See Note 13 to our consolidated financial statements contained in Item 8 of this report for a discussion of the special charges.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), gains from dispositions of investments and any ineffectiveness of our derivative financial instruments. Total nonoperating expense increased $250 million in 2008 compared to 2007 due to the following:

- Net interest expense increased $72 million primarily due to lower interest income resulting from lower interest rates on investments and lower cash, cash equivalents and short-term investments balances.

- Gain on sale of investments of $78 million in 2008 related to the sale of our remaining interests in Copa. Gain on sale of investments in 2007 consisted of $30 million related to the sale of our interest in ARINC, Inc. (“ARINC”) and $7 million related to the sale of our remaining interest in Holdings.

- Other-than-temporary impairment losses on investments included a loss of $60 million in 2008 to reflect the decline in the value of our student loan-related auction rate securities.

- Other nonoperating income (expense) included $125 million expense related to changes in the fair value of fuel derivative contracts with Lehman Brothers that were deemed ineffective after Lehman Brothers declared bankruptcy in 2008. This account also includes other fuel hedge ineffectiveness gains of $26 million and $14 million in 2008 and 2007, respectively, caused by our non-jet fuel derivatives experiencing a higher relative change in value than the jet fuel being hedged. Other nonoperating income expense in 2008 also includes a gain of $26 million related to our receipt of a put right covering certain of the student loan-related auction rate securities.

  Other variances in other nonoperating income (expense) include $37 million of foreign currency exchange losses in 2008 compared to gains of $2 million in 2007, a $16 million increase in the fair value of the cash surrender value of company owned life insurance policies in 2008 compared to a $3 million increase in 2007 and $6 million less equity in earnings of other companies in 2008 compared to 2007 resulting from our decreased ownership of Copa and Holdings.

Income Taxes. In the fourth quarter of 2007, we recorded income tax expense of $114 million to increase the valuation allowance to be fully reserved for certain NOLs, expiring in 2008 through 2011, which more likely than not would not be realized prior to their expiration. In the second quarter of 2008, we recorded an income tax benefit of $28 million resulting from higher utilization of those NOLs than had been previously anticipated.

Segment Results of Operations

Mainline Results of Operations. Significant components of our mainline segment's operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$12,827	$12,019	$ 808	6.7 %
Operating expenses:				
Aircraft fuel and related taxes	4,905	3,354	1,551	46.2 %
Wages, salaries and related costs	2,850	3,073	(223)	(7.3)%
Aircraft rentals	662	680	(18)	(2.6)%
Landing fees and other rentals	782	738	44	6.0 %
Distribution costs	611	583	28	4.8 %
Maintenance, materials and repairs	612	621	(9)	(1.4)%
Depreciation and amortization	427	400	27	6.8 %
Passenger services	384	374	10	2.7 %
Special charges	155	13	142	NM
Other	1,365	1,335	30	2.2 %
	12,753	11,171	1,582	14.2 %
Operating income	$ 74	$ 848	$(774)	(91.3)%

The variances in specific line items for the mainline segment were due to the same factors discussed under consolidated results of operations.

Regional Results of Operations. Significant components of our regional segment's operating results for the year ended December 31 were as follows (in millions, except percentage changes):

	2008	2007	Increase (Decrease)	% Increase (Decrease)
Operating revenue	$2,414	$2,213	$ 201	9.1 %
Operating expenses:				
Aircraft fuel and related taxes	1,014	680	334	49.1 %
Wages, salaries and related costs	107	54	53	98.1 %
Aircraft rentals	314	314	-	-
Regional capacity purchase, net	1,059	1,113	(54)	(4.9)%
Landing fees and other rentals	71	52	19	36.5 %
Distribution costs	106	99	7	7.1 %
Depreciation and amortization	11	13	(2)	(15.4)%
Passenger services	22	15	7	46.7 %
Special charges	26	-	26	NM
Other	72	34	38	NM
	2,802	2,374	428	18.0 %
Operating loss	$(388)	$(161)	$(227)	NM

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it provides flow traffic to our hubs. The variances in material line items for the regional segment reflect generally the same factors discussed under consolidated results of operations and changes in who is contractually responsible for certain costs under the ExpressJet CPA.

Liquidity and Capital Resources

As of December 31, 2009, we had $2.9 billion in unrestricted cash, cash equivalents and short-term investments, which is $213 million higher than at December 31, 2008. At December 31, 2009, we also had $164 million of restricted cash, cash equivalents and short-term investments, which is primarily collateral for estimated future workers' compensation claims, credit card processing contracts, letters of credit and performance bonds. Restricted cash, cash equivalents and short-term investments at December 31, 2008 totaled $190 million. The decrease in restricted cash is primarily the result of the substitution of cash collateral for student loan-related auction rate securities previously posted as collateral under our workers' compensation program. The use of cash as collateral lowered the amount required to be posted.

As is the case with many of our principal competitors, we have a high proportion of debt compared to our capital. We have a significant amount of fixed obligations, including debt, aircraft leases and financings, leases of airport property and other facilities and pension funding obligations. At December 31, 2009, we had approximately $6.3 billion of debt and capital lease obligations, including $2.1 billion that will come due by the end of 2011 (consisting of $1.0 billion during 2010 and $1.1 billion during 2011). In addition, we have substantial non-cancelable commitments for capital expenditures, including the acquisition of new aircraft and related spare engines.

We do not currently have any undrawn lines of credit or revolving credit facilities and most of our otherwise readily financeable assets are encumbered. The global economic recession severely disrupted the global capital markets, resulting in a diminished availability of financing and higher cost for financing that was obtainable. Although access to the capital markets has improved over the past several months, as evidenced by our recent financing transactions, we cannot give any assurances that we will be able to obtain additional financing or otherwise access the capital markets in the future on acceptable terms (or at all). We must achieve and sustain profitability and/or access the capital markets to meet our significant long-term debt and capital lease obligations and future commitments for capital expenditures, including the acquisition of aircraft and related spare engines.

Sources and Uses of Cash

Operating Activities. Net cash flows provided by operations for the year ended December 31, 2009 were $362 million, an improvement of $686 million from the $324 million in net cash used by operating activities in 2008. The increase in cash flows provided by operations in 2009 compared to 2008 is primarily the result of an improvement in operating results. Our operating loss was $168 million lower in 2009 than in 2008. Also, operating cash flows in 2008 were negatively impacted by our posting $171 million of cash collateral related to our fuel hedges, which were in a net liability position at December 31, 2008.

Investing Activities. Cash flows used in investing activities for the year ended December 31 were as follows (in millions):

	2009	2008	Cash Increase (Decrease)
Capital expenditures	$(381)	$(373)	$ (8)
Aircraft purchase deposits refunded (paid), net	29	102	(73)
(Purchase) sale of short-term investments, net	180	115	65
Proceeds from sales of investments, net	30	171	(141)
Expenditures for airport operating rights	(22)	(131)	109
Proceeds from sales of property and equipment	64	113	(49)
Decrease (increase) in restricted cash, cash equivalents and short-term investments	26	(13)	39
Other cash flows from investing activities	(4)	-	(4)
Net cash used in investing activities	$(78)	$(16)	$(62)

Capital expenditures for 2009 consisted of $264 million of fleet expenditures and $117 million of non-fleet expenditures. Fleet expenditures in 2009 included the portion of the aircraft purchase price in excess of financings, the installation of winglets, the installation of Audio Video on Demand entertainment systems and flat-bed BusinessFirst seats for certain Boeing 777 and 757 aircraft and flight simulators and training equipment. The 2009 non-fleet expenditures were primarily for Star Alliance-related costs, ground service equipment and technology and terminal enhancements.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. As of December 31, 2009, we had firm commitments to purchase 84 new Boeing aircraft scheduled for delivery from 2010 through 2016, with an estimated aggregate cost of $5.1 billion including related spare engines. In addition to our firm order aircraft, we had options to purchase a total of 98 additional Boeing aircraft as of December 31, 2009. Projected net capital expenditures for 2010 are as follows (in millions):

Fleet related (excluding aircraft to be acquired through the issuance of debt)	$265
Non-fleet	140
Net capital expenditures	$405
Aircraft purchase deposits	25
Projected net capital expenditures	$430

Projected fleet expenditures include the portion of the aircraft purchase price in excess of financings, flight simulators and training equipment related to Boeing 787 aircraft, aircraft reconfigurations and other product enhancements including winglet installations, Audio Video on Demand systems, flat-bed BusinessFirst seats and in-seat power installations. Projected non-fleet capital expenditures are primarily for Star Alliance-related costs and technology and terminal enhancements. While some of our projected capital expenditures are related to projects we have committed to, a significant number of projects can be deferred. Should economic conditions warrant, we will reduce our capital expenditures, and expect to be able to do so without materially impacting our operations.

Net purchase deposits refunded were lower in 2009 as the result of fewer aircraft deliveries in 2009 than in 2008.

Proceeds from sales of short-term investments were higher in 2009 than in 2008 due to the conversion of short-term investments to cash and cash equivalents.

We sold eight Boeing 737-500 aircraft to foreign buyers during 2009 and received cash proceeds of $53 million, in addition to deposits received in 2008. We sold one grounded Boeing 737-500 aircraft to a foreign buyer in February 2010 and we have agreements to sell the three remaining grounded Boeing 737-500 aircraft to foreign buyers. These sales are subject to customary closing conditions, some of which are outside of our control, and we cannot give any assurances that the buyers of these aircraft will be able to obtain financing for these transactions, that there will not be delays in deliveries or that the closing of these transactions will occur. We hold cash deposits that secure the buyers' obligations under the aircraft sale contracts, and we are entitled to damages under the aircraft sale contract if the buyers do not take delivery of the aircraft when required.

Expenditures for airport operating rights relate to our acquisition of slots at London's Heathrow Airport.

Financing Activities. Cash flows provided by financing activities for the year ended December 31 were as follows (in millions):

	2009	2008	Cash Increase (Decrease)
Payments on long-term debt and capital lease obligations	$(610)	$(641)	$ 31
Proceeds from issuance of long-term debt, net	538	642	(104)
Proceeds from public offering of common stock, net	158	358	(200)
Proceeds from issuance of common stock pursuant to stock plans	11	18	(7)
Net cash provided by financing activities	$ 97	$ 377	$(280)

Debt Secured by Aircraft. In April 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We applied this financing to 30 Boeing aircraft delivered to us in 2008 and 2009 and recorded related debt of $1.1 billion, including $121 million recorded in 2009 and $1.0 billion recorded in 2008.

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

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

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

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

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

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

On June 10, 2008, we entered into an amendment and restatement of our Bankcard Agreement with Chase, under which Chase purchases frequent flyer mileage credits to be earned by OnePass members for making purchases using a Continental branded credit card issued by Chase. The Bankcard Agreement provides for a payment to us of $413 million, of which $235 million relates to the advance purchase of frequent flyer mileage credits for the year 2016 and the balance of which is in consideration for certain other commitments with respect to the co-branding relationship, including the extension of the term of the Bankcard Agreement until December 31, 2016. In connection with the advance purchase of mileage credits, we have provided a security interest to Chase in certain routes and slots, including certain slots at London’s Heathrow Airport. The $235 million purchase of mileage credits has been treated as a loan from Chase with an implicit interest rate of 6.18% and is reported as long-term debt in our consolidated balance sheet. Our liability will be reduced ratably in 2016 as the mileage credits are issued to Chase.

In August 2009, we completed a public offering of 14 million shares of our common stock at a price to the public of $11.20 per share, raising net proceeds of $158 million for general corporate purposes. We received net proceeds of $358 million in 2008 from public offerings totaling 24 million shares of our common stock.

Liquidity and Credit Support Providers. We have utilized proceeds from the issuance of enhanced equipment trust certificates to finance the acquisition of 246 leased and owned mainline jet aircraft, certain spare engines and certain spare parts. Typically, these enhanced equipment trust certificates contain liquidity facilities whereby a third party agrees to make payments sufficient to pay at least 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for these certificates include the following: Credit Agricole S.A., Landesbank Hessen-Thuringen Girozentrale, Morgan Stanley Capital Services, Morgan Stanley Bank, Westdeutsche Landesbank Girozentrale, AIG Matched Funding Corp., ABN AMRO Bank N.V., Credit Suisse, Caisse des Depots et Consignations, Bayerische Landesbank Girozentrale, ING Bank N.V., De Nationale Investeringsbank N.V., Natixis S.A. and RZB Finance LLC.

We are also the issuer of enhanced equipment trust certificates secured by 135 leased regional jet aircraft currently operated by ExpressJet. The liquidity providers for these certificates include the following: ABN AMRO Bank N.V., Chicago Branch, Citibank N.A., Citicorp North America, Inc., Landesbank Baden-Wurttemberg, RZB Finance LLC and WestLB AG, New York Branch.

We currently utilize policy providers to provide credit support on three separate financings with an outstanding principal balance of $452 million at December 31, 2009. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.) and Financial Guaranty Insurance Company (a subsidiary of FGIC). Financial information for the parent company of Ambac Assurance Corporation is available over the internet at the SEC's website at www.sec.gov or at the SEC's public reference room in Washington, D.C. and financial information for FGIC is available over the internet at www.fgic.com. A policy provider is also used as credit support for the financing of certain facilities at Houston Bush, currently subject to a sublease by us to the City of Houston, with an outstanding balance of $42 million at December 31, 2009.

Contractual Obligations. The following table summarizes the effect that minimum debt, lease and other material noncancelable commitments listed below are expected to have on our future cash flows (in millions):

			Payments Due				Later
Contractual Obligations	Total	2010	2011	2012	2013	2014	Years
Long-term debt (1)	$ 7,632	$1,254	$ 1,380	$ 767	$ 811	$ 474	$2,946
Capital lease obligations (1)	466	17	16	16	16	16	385
Aircraft operating leases (2)	8,145	994	977	948	933	904	3,389
Nonaircraft operating leases (3)	5,830	462	426	513	376	359	3,694
Capacity purchase agreements (4)	4,306	693	693	704	683	649	884
Aircraft and other purchase commitments (5)	5,393	712	855	646	723	903	1,554
Projected pension contributions (6)	1,393	119	132	179	161	160	642
Total (7)	$33,165	$4,251	$4,479	$3,773	$3,703	$3,465	$13,494

(1) Represents contractual amounts due, including interest. Interest on floating rate debt was estimated using rates in effect at December 31, 2009.
(2) Represents contractual amounts due and excludes $139 million of projected sublease income to be received on aircraft that are subleased to other operators, but not operated on our behalf.
(3) Represents minimum contractual amounts.
(4) Represents our estimates of future minimum noncancelable commitments under our capacity purchase agreements and does not include the portion of the underlying obligations for aircraft leased to ExpressJet or deemed to be leased from Chautauqua, CommutAir or Colgan and facility rent that is disclosed as part of aircraft and nonaircraft operating leases. See Note 16 to our consolidated financial statements contained in Item 8 of this report for the significant assumptions used to estimate the payments.
(5) Represents contractual commitments for firm order aircraft and spare engines only, net of previously paid purchase deposits, and noncancelable commitments to purchase goods and services, primarily information technology support. See Note 19 to our consolidated financial statements contained in Item 8 of this report for a discussion of our purchase commitments.
(6) Represents our estimate of the minimum funding requirements as determined by government regulations. Amounts are subject to change based on numerous assumptions, including the performance of the assets in the plan and bond rates. See "Critical Accounting Policies and Estimates" in this Item for a discussion of our assumptions regarding our pension plans.
(7) Total contractual obligations do not include long-term contracts where the commitment is variable in nature, such as credit card processing agreements and cost-per-hour engine maintenance agreements, or where short-term cancellation provisions exist.

We expect to fund our future capital and purchase commitments through internally generated funds, general company financings and aircraft financing transactions. However, especially if there are any further disruptions in the global capital markets as experienced in late 2008 and into 2009, there can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures or that, if necessary, we will be able to defer or otherwise renegotiate our capital commitments.

Other Liquidity Matters

See the indicated notes to our consolidated financial statements contained in Item 8. "Financial Statements and Supplementary Data" of this report for the following other matters affecting our liquidity and commitments.

Long-term debt and related covenants	Note 4
Operating Leases	Note 5
Investment in student loan-related auction rate securities	Note 6
Fuel hedges	Note 7
Pension obligations	Note 11
Regional capacity purchase agreements	Note 16
Guarantees and Indemnifications, credit card processing agreements, credit ratings and environmental liabilities	Note 19

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

We have no arrangements of the types described in the first three categories that we believe may have a material current or future effect on our results of operations. Certain guarantees that we do not expect to have a material current or future effect on our results of operations, financial condition or liquidity are disclosed in Note 19 to our consolidated financial statements contained in Item 8 of this report.

We do have obligations arising out of variable interests in unconsolidated entities. See Note 15 to our consolidated financial statements contained in Item 8 of this report for a discussion of our off-balance sheet aircraft leases, airport leases (which include the US Airways contingent liability), subsidiary trust and our capacity purchase agreement with ExpressJet.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that our critical accounting policies are limited to those described below. For a detailed discussion on the application of these and other accounting policies, see Note 1 to our consolidated financial statements contained in Item 8 of this report.

Pension Plans. We account for our defined benefit pension plans in accordance with Accounting Standards Codification ("ASC") Subtopic 715-30, "Defined Benefit Plans – Pension." Under this guidance, pension expense is recognized on an accrual basis over employees' approximate service periods. We recognized expense for our defined benefit pension plans totaling $279 million, $147 million and $191 million in 2009, 2008 and 2007, respectively, including settlement charges. We currently expect our expense related to our defined benefit pension plans to be approximately $215 million in 2010.

Our plans' under-funded status was $1.3 billion at December 31, 2009 and $1.4 billion at December 31, 2008. Funding requirements for tax-qualified defined benefit pension plans are determined by government regulations. During 2009, we contributed $176 million to our tax-qualified defined benefit pension plans, satisfying our minimum funding requirements during calendar year 2009. We contributed an additional $34 million to our tax-qualified defined benefit pension plans in January 2010. We estimate that our remaining minimum funding requirements during calendar year 2010 are approximately $85 million.

The fair value of our plans’ assets increased from $1.1 billion at December 31, 2008 to $1.4 billion at December 31, 2009. When calculating pension expense for 2009, we assumed that our plans’ assets would generate a long-term rate of return of 8.25%. We assumed a long-term rate of return for calculating pension expense in 2008 and 2007 of 8.5% and 8.26%, respectively. We develop our expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plans’ assets. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels. Our projected long-term rate of return is slightly higher than some market indices due to the active management of our plans’ assets, and is supported by the historical returns on our plans’ assets. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review our actual asset allocation and the pension plans’ investments are periodically rebalanced to our targeted allocation when considered appropriate.

The defined benefit pension plans’ assets consist primarily of equity and fixed-income securities held through common collective trusts. Equity securities include investments in large-cap and small-cap companies. Fixed-income securities include corporate bonds of companies in diversified industries and asset- and mortgage-backed securities. Investments in equity securities and fixed-income securities are commingled funds valued at the unit of participation value of shares held by the plans’ trust. The private equity funds invest primarily in common stock of companies in diversified industries and in buyout, venture capital and special situation funds. Investments in private equity funds are valued at the net asset value of shares held by the plans’ trust at year end. Our allocation of assets was as follows at December 31, 2009:

	Percent of Total	Expected Long-Term Rate of Return
Equity securities:		
U.S. companies	48%	8%
International companies	21	9
Fixed-income securities	21	5
Private equity funds	10	11

Pension expense increases as the expected rate of return on plan assets decreases. When calculating pension expense for 2010, we will assume that our plans' assets will generate a weighted-average long-term rate of return of 8.0%. The decrease of 25 basis points from the rate used to determine 2009 expense reflects lower expected returns on investments due to the global recession. Lowering the expected long-term rate of return on our plan assets by an additional 50 basis points (from 8.0% to 7.5%) would increase our estimated 2010 pension expense by approximately $7 million.

We discounted our future pension obligations using a weighted average rate of 6.01% at December 31, 2009, compared to 6.13% at December 31, 2008. We determine the appropriate discount rate for each of our plans based on current rates on high quality corporate bonds that would generate the cash flow necessary to pay plan benefits when due. This approach can result in different discount rates for different plans, depending on each plan's projected benefit payments. The pension liability and future pension expense both increase as the discount rate is reduced. Lowering the discount rate by 50 basis points (from 6.01% to 5.51%) would increase our pension liability at December 31, 2009 by approximately $243 million and increase our estimated 2010 pension expense by approximately $30 million.

At December 31, 2009, we have unrecognized net actuarial losses of $1.2 billion related to our defined benefit pension plans. Our estimated 2010 expense related to our defined benefit pension plans of $215 million includes the recognition of approximately $87 million of these losses.

Future changes in plan asset returns, plan provisions, assumed discount rates, pension funding law and various other factors related to the participants in our pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Revenue Recognition. We recognize passenger revenue when transportation is provided or when the ticket expires unused, rather than when a ticket is sold. Revenue is recognized for unused non-refundable tickets on the date of the intended flight if the passenger did not notify us of his or her intention to change the itinerary.

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

Ticket change fees relate to non-refundable tickets, but are considered a separate transaction from the air transportation because they represent a charge for our additional service to modify a previous sale. Ticket change fees are recognized as other revenue in our consolidated statement of operations at the time the fees are assessed.

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

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

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

During the year ended December 31, 2009, OnePass participants claimed approximately 1.3 million round-trip awards. Frequent flyer awards accounted for an estimated 6.0% of our consolidated revenue passenger miles. We believe displacement of revenue passengers is minimal given our ability to manage frequent flyer inventory and the low ratio of OnePass award usage to revenue passenger miles.

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

<u>Fair Value Measurements</u>. We have certain assets and liabilities that are measured at fair value on a recurring basis. ASC Subtopic 820, “Fair Value Measurements and Disclosures” (“ASC Topic 820”), clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 requires us to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Level 1:	Observable inputs such as quoted prices for identical assets or liabilities in active markets
Level 2:	Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs
Level 3:	Unobservable inputs for which there is little or no market data and which require us to develop our own assumptions about how market participants would price the assets or liabilities

We have three items that are classified as Level 3: auction rate securities, a put right on certain auction rate securities and fuel hedging derivatives. The determination of the fair value of these items requires us to make critical assumptions.

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

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

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

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

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

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

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

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

Property and Equipment. As of December 31, 2009, the net carrying amount of our property and equipment was $7.4 billion, which represents 58% of our total assets. In addition to the original cost of these assets, the net carrying amount of our property and equipment is impacted by a number of accounting policy elections, including estimates, assumptions and judgments relative to capitalized costs, the estimation of useful lives and residual values and, when necessary, the recognition of asset impairment charges. Our property and equipment accounting policies are designed to depreciate our assets over their estimated useful lives and residual values of our aircraft, reflecting both historical experience and expectations regarding future operations, utilization and performance of our assets.

In addition, our policies are designed to appropriately and consistently capitalize costs incurred to enhance, improve and extend the useful lives of our assets and expense those costs incurred to repair and maintain the existing condition of our aircraft. Capitalized costs increase the carrying values and depreciation expense of the related assets, which also impact our results of operations.

Useful lives of aircraft are difficult to estimate due to a variety of factors, including technological advances that impact the efficiency of aircraft, changes in market or economic conditions and changes in laws or regulations affecting the airline industry. We evaluate the remaining useful lives of our aircraft when certain events occur that directly impact our assessment of the remaining useful lives of the aircraft and include changes in operating condition, functional capability and market and economic factors. Both depreciable lives and residual values are regularly reviewed for our aircraft and spare parts to recognize changes in our fleet plan and other relevant information. Jet aircraft and rotable spare parts are assumed to have estimated residual values of 15% and 10%, respectively, of original cost; other categories of property and equipment are assumed to have no residual value. A one year increase in the useful lives of our owned aircraft would reduce annual depreciation expense by approximately $12 million while a one year decrease would increase annual depreciation expense by approximately $12 million. A one percent decrease in residual value of our owned aircraft would increase annual depreciation expense by approximately $2 million.

Impairments of Long-Lived Assets. We record impairment losses on long-lived assets, consisting principally of property and equipment and domestic airport operating rights, when events or changes in circumstances indicate, in management's judgment, that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Our cash flow estimates are based on historical results adjusted to reflect our best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value if lower than the carrying value. In determining the fair market value of the assets, we consider market trends, recent transactions involving sales of similar assets and, if necessary, estimates of future discounted cash flows.

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

We recorded $39 million of other charges related to our mainline fleet, primarily related to the grounding and sale of Boeing 737-300 and 737-500 aircraft and the write-off of certain obsolete spare parts. The 737-300 and 737-500 aircraft fleets and spare parts, a portion of which was being sold on consignment, experienced further declines in fair values during the fourth quarter of 2009 primarily as the result of additional 737 aircraft being grounded by other airlines.

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

We provide an allowance for spare parts inventory obsolescence over the remaining useful life of the related aircraft, plus allowances for spare parts currently identified as excess. These allowances are based on our estimates and industry trends, which are subject to change and, where available, reference to market rates and transactions. The estimates are more likely to change when we near the end of a fleet life or when we remove entire fleets from service sooner than originally planned.

Impairments of Intangible Assets. We also perform annual impairment tests on our routes and international airport landing slots, which are indefinite life intangible assets, as of October 1 of each year. In prior years, we determined the fair value of each route by modeling the expected future discounted cash flows. If the calculated fair value was lower than the carrying value of a route, an impairment loss would have been recognized for the difference between the two amounts. With the adoption of new accounting rules, fair value is now determined as an exit price, representing the price that would be received in an orderly transaction between market participants based on the highest and best use of the asset, rather than as the result of an internally-generated cash flow analysis.

Our international route assets were recorded as part of our “fresh start” accounting when we emerged from bankruptcy in1993 rather than as the result of purchase transactions. These assets include both the value of the route and operating rights at the destination airports. Therefore, we consider the fair values of both the route authority and the airport operating rights when performing the annual impairment test for these assets. Certain of our international routes are to countries that are subject to “open skies” agreements, meaning that all carriers have access to any destination in that country. In these cases, if there are no significant barriers to new entrants to serve the international destination, such as airport slot restrictions or gate availability, there is no market for the route asset and, therefore, it has no fair value under the new definition of fair value. As a result, we recorded a $12 million non-cash special charge in 2009 to write off our international routes to certain locations in Mexico and Central America.

The other intangible assets established in 1993 were routes and airport operating rights for Paris, Madrid, Mexico City, Tokyo and CMI’s network in the Pacific rim and Japan. In addition, we have acquired intangible assets in recent years through the purchase of slots at London’s Heathrow Airport. The carrying value of these indefinite-lived intangible assets was $701 million at December 31, 2009. There have not been many market transactions involving these assets upon which to base fair values. Therefore, we determined the fair value of these assets using a discounted cash flow model based on our internal cash flow projections adjusted, where necessary, for differences between our underlying assumptions and those of other market participants.

As a result of our analysis, we concluded that there was no impairment of our routes and international landing slots other than the $12 million we wrote off for routes having no fair value. Our analysis required us to make a number of assumptions about our future cash flows, our cost of capital and how other market participants would value the assets. While we believe that our assumptions are appropriate, changes in the assumptions could have a material effect on the results of our analysis and our conclusions.

In 2008, we recorded an $18 million non-cash charge to write off an intangible route asset as a result of our decision to move all of our flights between New York Liberty and London from London Gatwick Airport to London Heathrow Airport.

Recently Issued Accounting Standards

See Note 2 to our consolidated financial statements contained in Item 8 of this report for a discussion of recently issued accounting standards.

Related Party Transactions

See Note 17 to our consolidated financial statements contained in Item 8 of this report for a discussion of related party transactions.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk Sensitive Instruments and Positions

We are subject to certain market risks, including commodity price risk (i.e., aircraft fuel prices), interest rate risk, foreign currency risk and price changes related to certain investments in debt and equity securities. The adverse effects of potential changes in these market risks are discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ. See the notes to our consolidated financial statements contained in Item 8 of this report for a description of our accounting policies and other information related to these financial instruments. We do not hold or issue derivative financial instruments for trading purposes.

Aircraft Fuel. Our results of operations are significantly impacted by changes in the price of aircraft fuel. During 2009 and 2008, aircraft fuel and related taxes accounted for 26.0% and 38.0%, respectively, of our operating expenses. Based on our expected fuel consumption in 2010, a one dollar increase in the price of crude oil will increase our annual fuel expense by approximately $41 million, before assuming no changes to the refining margins and our fuel hedging program.

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

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

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

At December 31, 2009, the fair value of our fuel derivatives was $14 million and is included in prepayments and other current assets in our consolidated balance sheet. We estimate that a 10% decrease in the price of crude oil and heating oil at December 31, 2009 would decrease the fair value of the fuel derivatives outstanding at that date by approximately $20 million.

At December 31, 2008, our fuel derivatives were in a net loss position of $415 million resulting from the substantial decline in crude oil prices. This fair value is reported in accrued other current liabilities in our consolidated balance sheet.

Because our fuel hedges were in a net liability position at December 31, 2008, we were required to post cash collateral with our counterparties totaling $171 million. These amounts are reported in prepayments and other current assets in our consolidated balance sheet.

Foreign Currency. We are exposed to the effect of exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenue and expenses. We have historically used foreign currency average rate options and forward contracts to hedge against the currency risk associated with our forecasted Japanese yen, British pound, Canadian dollar and euro-denominated cash flows.

At December 31, 2009, we had forward contracts outstanding to hedge 30% of our projected Japanese yen-denominated cash inflows, primarily from passenger ticket sales, through 2010. At December 31, 2009, the fair value of those hedges was $5 million and is included in prepayments and other current assets in our consolidated balance sheet. We estimate that a uniform 10% strengthening in the value of the U.S. dollar relative to the Japanese yen at December 31, 2009 would increase the fair value for our yen hedges by $9 million and decrease our underlying exposure by $31 million, resulting in a net loss of $22 million.

At December 31, 2008, we had forward contracts outstanding to hedge the following cash inflows (primarily from passenger ticket sales) in foreign currencies:

- 36% of our projected Japanese yen-denominated cash inflows in 2009
- 6% of our projected euro-denominated cash inflows in 2009

At December 31, 2008, the fair value of our foreign currency hedges was $(8) million and is included in accrued other liabilities in our consolidated balance sheet.

Interest Rates. Our results of operations are affected by fluctuations in interest rates (e.g., interest expense on variable-rate debt and interest income earned on short-term investments). We had approximately $2.0 billion of variable-rate debt as of December 31, 2009 and December 31, 2008. If average interest rates increased by 100 basis points during 2010 as compared to 2009, our projected 2010 interest expense would increase by approximately $19 million after taking into account scheduled maturities.

As of December 31, 2009 and 2008, we estimated the fair value of $4.1 billion and $3.7 billion (carrying value) of our fixed-rate debt to be $4.0 billion and $3.0 billion, respectively, based upon discounted future cash flows using our current incremental borrowing rates for similar types of instruments or market prices. If market interest rates increased 100 basis points at December 31, 2009, the fair value of our fixed-rate debt would decrease by approximately $106 million.

A change in market interest rates would also impact interest income earned on our cash, cash equivalents and short-term investments. Assuming our cash, cash equivalents and short-term investments remain at their average 2009 levels, a 100 basis point increase or decrease in interest rates would result in a corresponding increase or decrease in interest income of approximately $26 million during 2010.

Investment Risk. Our short-term investments primarily include certificates of deposit placed through an account registry service ("CDARS") and auction rate securities. While the CDARS are insured by the Federal Deposit Insurance Corporation and the auction rate securities are secured by pools of student loans guaranteed by state-designated guaranty agencies and reinsured by the U.S. government, we are subject to investment risk for the fair value of the investments. Our short-term investments had a fair value of $310 million at December 31, 2009, including amounts that were classified as restricted cash, cash equivalents and short-term investments.

Our defined benefit plans had assets with a fair value of $1.4 billion at December 31, 2009, compared to a fair value of $1.1 billion at December 31, 2008. A significant portion of the plans' assets consists of U.S. and international equities held through common collective trusts. Lower asset values can result in higher required contributions and pension expense in future years and a decrease in our stockholders' equity.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Continental Airlines, Inc.

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

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

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

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

ERNST & YOUNG LLP

Houston, Texas
February 17, 2010

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

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

(continued on next page)

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

	Year Ended December 31,		
	2009	2008	2007
Earnings (Loss) per Share:			
Basic	$(2.18)	$(5.54)	$4.53
Diluted	$(2.18)	$(5.54)	$4.05
Shares Used for Computation:			
Basic	129	106	97
Diluted	129	106	114

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

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

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

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

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

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

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

	Year Ended December 31,		
	2009	2008	2007
Cash Flows from Operating Activities:			
Net income (loss)	$ (282)	$ (586)	$ 439
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	494	438	413
Special charges	145	181	13
Deferred income tax (benefit) expense	(158)	(111)	111
Gains on sale of investments	-	(78)	(37)
Loss on fuel hedge contracts with Lehman Brothers	-	125	-
Other-than-temporary losses on investments	-	60	-
Stock-based compensation related to equity awards	9	16	27
Other adjustments, net	55	(14)	50
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	12	147	(29)
(Increase) decrease in spare parts and supplies	(34)	5	(66)
(Increase) decrease in prepayments and other assets	206	(167)	16
Increase (decrease) in accounts payable	(104)	(10)	71
Increase (decrease) in air traffic and frequent flyer liability	(26)	(86)	255
Increase (decrease) in accrued payroll, pension liability and other	45	(244)	(130)
Net cash (used in) provided by operating activities	362	(324)	1,133
Cash Flows from Investing Activities:			
Capital expenditures	(381)	(373)	(329)
Aircraft purchase deposits refunded (paid), net	29	102	(219)
(Purchase) sale of short-term investments, net	180	115	(314)
Proceeds from sales of investments, net	30	171	65
Expenditures for airport operating rights	(22)	(131)	(116)
Proceeds from sales of property and equipment	64	113	67
Decrease (increase) in restricted cash, cash equivalents and short-term investments	26	(13)	86
Other cash flows from investing activities	(4)	-	-
Net cash used in investing activities	(78)	(16)	(760)
Cash Flows from Financing Activities:			
Payments on long-term debt and capital lease obligations	(610)	(641)	(429)
Proceeds from issuance of long-term debt, net	538	642	26
Proceeds from public offering of common stock, net	158	358	-
Proceeds from issuance of common stock pursuant to stock plans	11	18	35
Net cash provided by (used in) financing activities	97	377	(368)
Net Increase in Cash and Cash Equivalents	381	37	5
Cash and Cash Equivalents - Beginning of Period	2,165	2,128	2,123
Cash and Cash Equivalents - End of Period	$2,546	$2,165	$2,128

(continued on next page)

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

	Year Ended December 31,		
	2009	2008	2007
Supplemental Cash Flows Information:			
Interest paid	$ 326	$ 365	$ 383
Income taxes paid	$ 1	$ 5	$ 2
Investing and Financing Activities Not Affecting Cash:			
Property and equipment acquired through the issuance of debt	$ 402	$1,014	$ 190
Reduction of debt in exchange for sale of frequent flyer miles	$ -	$ (38)	$ (37)
Transfer of auction rate securities from available-for-sale to trading	$ -	$ 97	$ -
Common stock issued upon conversion of 4.5% convertible notes	$ -	$ -	$ 170

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

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

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

(continued on next page)

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

	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Net loss	-	-	-	(282)	-	(282)
Other comprehensive income:						
Net change in unrealized gain (loss) on derivative instruments and other	-	-	-	-	424	424
Net change related to employee benefit plans	-	-	-	-	305	305
Tax expense on other comprehensive income	-	-	-	-	(158)	(158)
Total Comprehensive Income						289
Issuance of common stock pursuant to stock plans	2	-	11	-	-	11
Issuance of common stock pursuant to stock offerings	14	-	158	-	-	158
Stock-based compensation	-	-	9	-	-	9
Balance at December 31, 2009	139	$ 1	$2,216	$(442)	$(1,185)	$ 590

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

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 – ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

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

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

NOTE 3 - EARNINGS PER SHARE

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

	2009	2008	2007
Numerator:			
Numerator for basic earnings (loss) per share - net income (loss)	$(282)	$(586)	$439
Effect of dilutive securities - interest expense on:			
5% convertible notes	-	-	12
6% convertible junior subordinated debentures held by subsidiary trust	-	-	12
Numerator for diluted earnings (loss) per share - net income (loss) after assumed conversions	$(282)	$(586)	$463

	2009	2008	2007
Denominator:			
Denominator for basic earnings (loss) per share - weighted average shares	129	106	97
Effect of dilutive securities:			
5% convertible notes	-	-	9
6% convertible junior subordinated debentures held by subsidiary trust	-	-	4
Employee stock options	-	-	4
Dilutive potential shares	-	-	17
Denominator for diluted earnings (loss) per share - weighted-average shares after assumed conversions	129	106	114

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

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

NOTE 4 - LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 5 - LEASES

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

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

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

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

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

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

NOTE 6 - FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Debt. The fair value of our debt with a carrying value of $6.1 billion at December 31, 2009 and $5.7 billion at December 31, 2008 was approximately $5.8 billion and $4.6 billion, respectively. These estimates were based on either market prices or the discounted amount of future cash flows using our current incremental rate of borrowing for similar liabilities.

- Investment in COLI Products. In connection with certain of our supplemental retirement plans, we previously held company owned life insurance policies on certain of our employees. We terminated all of the policies in 2009. As of December 31, 2008, the carrying value of the cash surrender value of the life insurance policies was $26 million, which was based on the fair value of the underlying investments.

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

NOTE 7 - HEDGING ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 8 - PREFERRED AND COMMON STOCK

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

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

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

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

NOTE 9 - STOCK PLANS AND AWARDS

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

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

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

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

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

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

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

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

Options Outstanding

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

Options Exercisable

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

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

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

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

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

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

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

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

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

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

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

	Defined Benefit Pension and Retiree Medical Benefits Plans		Unrealized Gain (Loss)		
	Unrecognized Prior Service Cost	Unrecognized Actuarial Gains (Losses)	on Derivative Instruments and Other	Income Tax Benefit (Expense)	Total
Derivative financial instruments:					
Reclassification into earnings	-	-	375	-	375
Change in fair value	-	-	46	-	46
Unrealized gain on student loan-related auction rate securities	-	-	3	-	3
Employee benefit plans:					
Reclassification of unrecognized net actuarial loss into earnings	-	138	-	-	138
Reclassification of prior service cost into earnings	31	-	-	-	31
Current year actuarial gain	-	136	-	-	136
Income tax expense	-	-	-	(158)	(158)
Balance at December 31, 2009	$(188)	$(1,087)	$ 12	$ 78	$(1,185)

NOTE 11 - EMPLOYEE BENEFIT PLANS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12 - INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 13 - SPECIAL CHARGES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 14 – GAINS ON SALES OF INVESTMENTS

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

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

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

NOTE 15 - VARIABLE INTEREST ENTITIES

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

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

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

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

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

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

NOTE 16 - REGIONAL CAPACITY PURCHASE AGREEMENTS

Capacity Purchase Agreement with ExpressJet

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

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

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

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

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

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

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

Capacity Purchase Agreement with Chautauqua

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

Capacity Purchase Agreement with Colgan

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

Capacity Purchase Agreement with CommutAir

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

Indemnification Under Capacity Purchase Agreements

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

Commitments under Capacity Purchase Agreements

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

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

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

NOTE 17 - RELATED PARTY TRANSACTIONS

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

NOTE 18 - SEGMENT REPORTING

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

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

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

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

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

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

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

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

NOTE 19 - COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 20 - QUARTERLY FINANCIAL DATA (UNAUDITED)

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

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

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

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There were no changes in or disagreements on any matters of accounting principles or financial statement disclosure between us and our independent registered public accountants during our two most recent fiscal years or any subsequent interim period.

Item 9A. Controls and Procedures.

Management's Conclusion on the Effectiveness of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-K. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2009 at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial reporting and financial statement preparation and presentation.

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 was conducted. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on their assessment, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2009, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also has audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Ernst & Young's report on the Company's internal control over financial reporting appears below.

Changes in Internal Controls

There was no change in our internal control over financial reporting during the quarter ended December 31, 2009, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Continental Airlines, Inc.

We have audited the internal control over financial reporting of Continental Airlines, Inc. (the "Company") as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2009 and 2008, and the related consolidated statements of operations, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009 and our report dated February 17, 2010 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 17, 2010

Item 9B. Other Information.

Profit Sharing Plan. On February 17, 2009, the Board of Directors of Continental Airlines, Inc. (the "Company") approved a new profit sharing plan effective January 1, 2010, with a term of five years. The Company's prior enhanced profit sharing plan, adopted in connection with wage and benefit reductions in 2005, expired on December 31, 2009. Under the new profit sharing plan, the Company will create a profit sharing award pool equal to 15 percent of its pre-tax income (adjusted for special, unusual or non-recurring items). Generally, the profit sharing pool will be distributed among eligible employees based on an employee's annual base pay relative to the annual base pay of all employees. The profit sharing plan will pay out for any year that the Company earns pre-tax income (adjusted for special, unusual or non-recurring items), except in years when the amount of such pre-tax income results in a profit sharing award pool below 0.2% of the annual base pay of all employees. In that case, the profit sharing award pool for that year would be carried forward and included in a subsequent year's payout. All employees (other than officers and management-level employees above a designated level) who are in a work group that is not represented by a union are eligible to participate in the profit sharing plan. Employees who are in a work group that is represented by a union will be eligible to participate in the new profit sharing plan if specifically provided pursuant to the terms of a ratified collective bargaining agreement (a "CBA"). International employees are generally eligible to participate in the profit sharing plan, subject to their applicable work rules, CBAs and legal requirements. Eligibility is determined as of the last day of the relevant year. The foregoing description of the profit sharing plan is qualified in its entirety by reference to the full text of the plan, which is filed as Exhibit 10.18 to this report.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on June 9, 2010.

Item 11. Executive Compensation.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on June 9, 2010.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on June 9, 2010 and from Item 5. "Market for Registrant's Common Equity and Related Stockholder Matters" of this Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on June 9, 2010.

Item 14. Principal Accountant Fees and Services.

Incorporated herein by reference from our definitive proxy statement for the annual meeting of stockholders to be held on June 9, 2010.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following financial statements are included in Item 8. "Financial Statements and Supplementary Data":

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Operations for each of the Three Years in the Period Ended December 31, 2009
Consolidated Balance Sheets as of December 31, 2009 and 2008
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 2009
Consolidated Statements of Common Stockholders' Equity for each of the Three Years in the Period Ended December 31, 2009
Notes to Consolidated Financial Statements

(b) Financial Statement Schedules:

All schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the consolidated financial statements or notes thereto.

(c) See accompanying Index to Exhibits.

SIGNATURES

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

CONTINENTAL AIRLINES, INC.

By /s/ ZANE C. ROWE
Zane C. Rowe
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: February 17, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated on February 17, 2010.

Signature	Capacity
/s/ JEFFERY A. SMISEK Jeffery A. Smisek	Chairman, President, and Chief Executive Officer (Principal Executive Officer)
/s/ ZANE C. ROWE Zane C. Rowe	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ CHRIS KENNY Chris Kenny	Vice President and Controller (Principal Accounting Officer)
KIRBYJON H. CALDWELL* Kirbyjon H. Caldwell	Director
CAROLYN CORVI* Carolyn Corvi	Director
DOUGLAS H. McCORKINDALE* Douglas H. McCorkindale	Director
HENRY L. MEYER III* Henry L. Meyer III	Director

OSCAR MUNOZ* Oscar Munoz	Director
LAURENCE E. SIMMONS* Laurence E. Simmons	Director
KAREN HASTIE WILLIAMS* Karen Hastie Williams	Director
RONALD B. WOODARD* Ronald B. Woodard	Director
CHARLES A. YAMARONE* Charles A. Yamarone	Director

*By	/s/ Jennifer L. Vogel Jennifer L. Vogel Attorney-in-fact February 17, 2010

INDEX TO EXHIBITS OF
CONTINENTAL AIRLINES, INC.

3.1	Amended and Restated Certificate of Incorporation of Continental, as amended through June 6, 2006 - incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2006 (File no. 1-10323) (the "2006 10-K").
3.1(a)	Certificate of Designation of Series A Junior Participating Preferred Stock, included as Exhibit A to Exhibit 3.1.
3.1(a)(i)	Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323) (the "2001 10-K").
3.1(a)(ii)	Certificate of Increase - Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(a)(ii) to Continental's Quarterly Report on Form 10-Q for the period ended June 30, 2008 (File no. 1-10323).
3.2	Amended and Restated Bylaws of Continental, effective as of June 10, 2009 – incorporated by reference to Exhibit 3.2 to Continental’s Current Report on Form 8-K dated June 10, 2009 (File no. 1-10323).
4.1	Specimen Class B Common Stock Certificate of Continental - incorporated by reference to Exhibit 4.1 to Continental's Registration Statement on Form 8-A/A filed November 21, 2008.
4.2	Warrant Agreement dated as of April 27, 1993, between Continental and Continental as warrant agent - incorporated by reference to Exhibit 4.7 to Continental's Current Report on Form 8-K, dated April 16, 1993 (File no. 1-10323). (No warrants remain outstanding under the agreement, but some of its terms are incorporated into Continental's stock option agreements.)
4.3	Continental hereby agrees to furnish to the Commission, upon request, copies of certain instruments defining the rights of holders of long-term debt of the kind described in Item 601(b)(4)(iii)(A) of Regulation S-K.
10.1	Agreement of Lease dated as of January 11, 1985, between the Port Authority of New York and New Jersey and People Express, Inc., regarding Terminal C (the "Terminal C Lease") - incorporated by reference to Exhibit 10.61 to the Annual Report on Form 10-K (File no. 0-9781) of People Express, Inc. for the year ended December 31, 1984.
10.1(a)	Assignment of Lease with Assumption and Consent dated as of August 15, 1987, among the Port Authority of New York and New Jersey, People Express Airlines, Inc. and Continental - incorporated by reference to Exhibit 10.2 to Continental's Annual Report on Form 10-K (File no. 1-8475) for the year ended December 31, 1987 (the "1987 10-K").

10.1(b)	Supplemental Agreement Nos. 1 through 6 to the Terminal C Lease - incorporated by reference to Exhibit 10.3 to the 1987 10-K.
10.1(c)	Supplemental Agreement No. 7 to the Terminal C Lease - incorporated by reference to Exhibit 10.4 to Continental's Annual Report on Form 10-K (File no. 1-10323) for the year ended December 31, 1988 (the "1988 10-K").
10.1(d)	Supplemental Agreements No. 8 through 11 to the Terminal C Lease - incorporated by reference to Exhibit 10.10 to Continental's Form S-1 Registration Statement (No. 33-68870).
10.1(e)	Supplemental Agreements No. 12 through 15 to the Terminal C Lease - incorporated by reference to Exhibit 10.2(d) to Continental's Annual Report on Form 10-K (File no. 1-10323) for the year ended December 31, 1995.
10.1(f)	Supplemental Agreement No. 16 to the Terminal C Lease - incorporated by reference to Exhibit 10.1(e) to Continental's Annual Report on Form 10-K for the year ended December 31, 1997 (File no. 1-10323) (the "1997 10-K").
10.1(g)	Supplemental Agreement No. 17 to the Terminal C Lease - incorporated by reference to Exhibit 10.1(f) to Continental's Annual Report on Form 10-K for the year ended December 31, 1999 (File no. 1-10323) (the "1999 10-K").
10.1(h)	Supplemental Agreement No. 18 to the Terminal C Lease - incorporated by reference to Exhibit 10.5 to the 2003 Q-1 10-Q.
10.1(i)	Supplemental Agreement No. 19 to the Terminal C Lease - incorporated by reference to Exhibit 10.4 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File no. 1-10323).
10.1(j)	Supplemental Agreement No. 20 - to the Terminal C Lease - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for quarter ended September 30, 2003 (File no. 1-10323) (the "2003 Q-3 10-Q").
10.1(k)	Supplemental Agreement No. 21 dated as of June 1, 2003 to Agreement of Lease between the Company and the Port Authority of New York and New Jersey regarding Terminal C at Newark Liberty International Airport - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File no. 1-10323) (the "2005 Q-2 10-Q").
10.1(l)	Supplemental Agreement No. 22 - to the Terminal C Lease - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (File no. 1-10323) (the "2004 Q-1 10-Q").

10.1(m)	Supplemental Agreement No. 23 - to the Terminal C Lease - incorporated by reference to Exhibit 10.1(m) to Continental's Annual Report on Form 10-K for the year ended December 31, 2005 (File no. 1-10323) (the "2005 10-K").
10.1(n)	Supplemental Agreement No. 24 - to the Terminal C Lease - incorporated by reference to Exhibit 10.1(n) to the 2005 10-K.
10.2	Airport Use and Lease Agreement dated as of January 1, 1998 between Continental and the City of Houston, Texas ("Houston") regarding George Bush Intercontinental Airport - incorporated by reference to Exhibit 10.30 to Continental's Annual Report on Form 10-K for the year ended December 31, 1998 (File no. 1-10323) (the "1998 10-K").
10.2(a)	Special Facilities Lease Agreement dated as of March 1, 1997 between Continental and Houston regarding an automated people mover project at Bush Intercontinental - incorporated by reference to Exhibit 10.30(a) to the 1998 10-K.
10.2(b)	Amended and Restated Special Facilities Lease Agreement dated as of December 1, 1998 by and between Continental and Houston regarding certain terminal improvements projects at Bush Intercontinental - incorporated by reference to Exhibit 10.30(b) to the 1998 10-K.
10.2(c)	Amended and Restated Special Facilities Lease Agreement dated December 1, 1998 by and between Continental and Houston regarding certain airport improvement projects at Bush Intercontinental - incorporated by reference to Exhibit 10.30(c) to the 1998 10-K.
10.2(d)	Terminal E Lease and Special Facilities Lease Agreement dated as of August 1, 2001 between Continental and Houston regarding Bush Intercontinental - incorporated by reference to Exhibit 10.8 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File no. 1-10323) (the "2001 Q-3 10-Q").
10.2(e)	Supplement to Terminal E Lease and Special Facilities Lease Agreement dated as of August 1, 2001 - incorporated by reference to Exhibit 10.2(e) to Continental's Annual Report on Form 10-K for the year ended December 31, 2002 (File no. 1-10323) (the "2002 10-K").
10.3	Agreement and Lease dated as of May 1987, as supplemented, between Continental and the City of Cleveland, Ohio ("Cleveland") regarding Hopkins International Airport - incorporated by reference to Exhibit 10.6 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File no. 1-10323).
10.3(a)	Special Facilities Lease Agreement dated as of October 24, 1997 by and between Continental and Cleveland regarding certain concourse expansion projects at Hopkins International (the "1997 SFLA") - incorporated by reference to Exhibit 10.31(a) to the 1998 10-K.

10.3(b)	First Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1997 SFLA - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File no. 1-10323) (the "1999 Q-1 10-Q").
10.3(c)	Special Facilities Lease Agreement dated as of December 1, 1989 by and between Continental and Cleveland regarding Hopkins International (the "1989 SFLA") - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (File no. 1-10323) (the "1999 Q-3 10-Q").
10.3(d)	First Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA - incorporated by reference to Exhibit 10.1(a) to the 1999 Q-3 10-Q.
10.3(e)	Second Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA - incorporated by reference to Exhibit 10.1(b) to the 1999 Q-3 10-Q.
10.3(f)	Amendment No. 1, dated January 1, 2006, to Agreement and Lease dated as of May 1987, as supplemented, between Continental and Cleveland regarding Hopkins International Airport - incorporated by reference to Exhibit 10.3(f) to the 2005 10-K.
10.3(g)	Amendment No. 2, dated March 25, 2009, to Agreement and Lease dated as of May 1987, as supplemented, between Continental and Cleveland regarding Hopkins International Airport – incorporated by reference to Exhibit 10.1 to Continental’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (the “2009 Q-2 10-Q”).
10.3(h)	Amendment No. 3, dated April 3, 2009, to Agreement and Lease dated as of May 1987, as supplemented, between Continental and Cleveland regarding Hopkins International Airport – incorporated by reference to Exhibit 10.2 to the 2009 Q-2 10-Q.
10.4*	Employment Agreement dated as of October 15, 2007 between Continental and Lawrence W. Kellner - incorporated by reference to Exhibit 10.2 to Continental's Form 10-Q for the quarter ended September 30, 2007 (File no. 1-10323) (the "2007 Q-3 10-Q").
10.4(a)*	Compensation Reduction Agreement for Lawrence W. Kellner dated December 22, 2004 - incorporated by reference to Exhibit 99.1 to Continental's Current Report on Form 8-K dated December 22, 2004 (File no. 1-10323) (the "12/04 8-K").
10.4(b)*	Amendment to Compensation Reduction Agreement for Lawrence W. Kellner dated February 15, 2005 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File no. 1-10323) (the "2005 Q-1 10-Q").
10.4(c)*	Letter Agreement dated as of May 30, 2008 between Continental and Larry Kellner - incorporated by reference to Exhibit 99.2 to Continental's Current Report on Form 8-K dated June 5, 2008 (the "06/08 8-K").

10.5*	Employment Agreement dated as of October 15, 2007 between Continental and Jeffery A. Smisek - incorporated by reference to Exhibit 10.3 to the 2007 Q-3 10-Q.
10.5(a)*	Compensation Reduction Agreement for Jeffery A. Smisek dated December 22, 2004 - incorporated by reference to Exhibit 99.2 to the 12/04 8-K.
10.5(b)*	Amendment to Compensation Reduction Agreement for Jeffery A. Smisek dated February 15, 2005 - incorporated by reference to Exhibit 10.2 to the 2005 Q-1 10-Q.
10.5(c)*	Letter Agreement dated as of May 30, 2008 between Continental and Jeffery Smisek - incorporated by reference to Exhibit 99.3 to the 06/08 8-K.
10.5(d)*	Confidentiality and Non-Competition Agreement dated April 23, 2009 between Continental and Jeffery A. Smisek – incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 (the "2009 Q-1 10-Q").
10.5(e)*	Letter Agreement dated as of September 30, 2009 between Continental and Jeffery Smisek (clarifying certain terms of his Employment Agreement in connection with his promotion to Chairman, President and CEO on January 1, 2010) – incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (the "2009 Q-3 10-Q").
10.5(f)*	Letter Agreement dated as of January 4, 2010 between Continental and Jeffery Smisek (pursuant to which he waives his salary and annual incentive pursuant to the terms set forth therein) – incorporated by reference to Exhibit 99.1 to Continental's Current Report on Form 8-K dated January 4, 2010.
10.6*	Employment Agreement dated as of August 31, 2008 between Continental and Zane Rowe - incorporated by reference to Exhibit 10.2 to Continental's Form 10-Q for the quarter ended September 30, 2008 (File no. 1-10323) (the "2008 Q-3 10-Q").
10.6(a)*	Confidentiality and Non-Competition Agreement dated April 23, 2009 between Continental and Zane C. Rowe – incorporated by reference to Exhibit 10.2 to the 2009 Q-1 10-Q.
10.7*	Employment Agreement dated as of October 15, 2007 between Continental and Mark J. Moran - incorporated by reference to Exhibit 10.6 to the 2007 Q-3 10-Q.
10.7(a)*	Compensation Reduction Agreement for Mark J. Moran dated December 22, 2004 - incorporated by reference to Exhibit 10.7(a) to the 2005 10-K.
10.7(b)*	Amendment to Compensation Reduction Agreement for Mark J. Moran dated February 15, 2005 - incorporated by reference to Exhibit 10.7(b) to the 2005 10-K.

10.7(c)*	Confidentiality and Non-Competition Agreement dated April 23, 2009 between Continental and Mark J. Moran – incorporated by reference to Exhibit 10.4 to the 2009 Q-1 10-Q.
10.8*	Employment Agreement dated as of October 15, 2007 between Continental and James E. Compton - incorporated by reference to Exhibit 10.4 to the 2007 Q-3 10-Q.
10.8(a)*	Compensation Reduction Agreement for James E. Compton dated December 22, 2004 - incorporated by reference to Exhibit 10.8(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 2004 (File no. 1-10323) (the "2004 10-K").
10.8(b)*	Amendment to Compensation Reduction Agreement for James E. Compton dated February 15, 2005 - incorporated by reference to Exhibit 10.4 to the 2005 Q-1 10-Q.
10.8(c)*	Confidentiality and Non-Competition Agreement dated April 23, 2009 between Continental and James E. Compton – incorporated by reference to Exhibit 10.3 to the 2009 Q-1 10-Q.
10.9*	Continental Airlines, Inc. 1998 Stock Incentive Plan ("1998 Incentive Plan") - incorporated by reference to Exhibit 4.3 to Continental's Form S-8 Registration Statement (No. 333-57297).
10.9(a)*	Amendment No. 1 to 1998 Incentive Plan, 1997 Stock Incentive Plan and 1994 Incentive Equity Plan, dated May 15, 2001 - incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File no. 1-10323) (the "2001 Q-2 10-Q").
10.9(b)*	Amendment to 1998 Incentive Plan, 1997 Stock Incentive Plan and 1994 Incentive Equity Plan, dated March 12, 2004 - incorporated by reference to Exhibit 10.5 to the 2004 Q-1 10-Q.
10.9(c)*	Form of Outside Director Stock Option Grant pursuant to the 1998 Incentive Plan – incorporated by reference to Exhibit 10.12(c) to the 2006 10-K.
10.10*	Continental Airlines, Inc. Incentive Plan 2000, as amended and restated ("Incentive Plan 2000") - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File no. 1-10323) (the "2002 Q-1 10-Q").
10.10(a)*	Amendment to Incentive Plan 2000, dated March 12, 2004 - incorporated by reference to Exhibit 10.6 to the 2004 Q-1 10-Q.
10.10(b)*	Second Amendment to Incentive Plan 2000, dated June 6, 2006 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (File no. 1-10323) (the "2006 Q-2 10-Q").
10.10(c)*	Third Amendment to Incentive Plan 2000, dated September 14, 2006 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File no. 1-10323) (the "2006 Q-3 10-Q").

10.10(d)*	Form of Outside Director Stock Option Agreement pursuant to Incentive Plan 2000 – incorporated by reference to Exhibit 10.14(b) to the 2000 10-K.
10.10(e)*	Form of Outside Director Stock Option Grant pursuant to Incentive Plan 2000 (updated form to facilitate electronic delivery) – incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File no. l1-10323) (the "2008 Q-1 10-Q").
10.11*	Continental Airlines, Inc. Long-Term Incentive and RSU Program, as amended and restated through February 18, 2009 (adopted pursuant to Incentive Plan 2000) – incorporated by reference to Exhibit 10.14 to Continental's Annual Report on Form 10-K for the year ended December 31, 2008 (the "2008 10-K").
10.11(a)*	Form of Award Notice pursuant to Continental Airlines, Inc. Long-Term Incentive and RSU Program (Profit Based RSU Awards under Incentive Plan 2000) – incorporated by reference to Exhibit 10.14(a) to the 2008 10-K.
10.11(b)*	Form of Award Notice pursuant to Continental Airlines, Inc. Long-Term Incentive and RSU Program (NLTIP Award under Incentive Plan 2000) - incorporated by reference to Exhibit 10.16(b) to the 2005 10-K.
10.12*	Continental Airlines, Inc. Incentive Plan 2010, as amended and restated February 17, 2010 (the "Incentive Plan 2010"). (3)
10.12(a)*	Form of Non-Employee Director Option Grant Document pursuant to Incentive Plan 2010. (3)
10.13*	Continental Airlines, Inc. Annual Executive Incentive Program (adopted pursuant to Incentive Plan 2010) (the "AIP"). (3)
10.13(a)*	Form of Award Notice pursuant to the AIP. (3)
10.14*	Continental Airlines, Inc. Long-Term Incentive and RSU Program (adopted pursuant to Incentive Plan 2010) (the "LTIP/RSU Program"). (3)
10.14(a)*	Form of Award Notice pursuant to the LTIP/RSU Program (Profit Based RSU Award under Incentive Plan 2010). (3)
10.14(b)*	Form of Award Notice pursuant to the LTIP/RSU Program (LTIP Award under Incentive Plan 2010). (3)

10.15*	Continental Airlines, Inc. 2005 Broad Based Employee Stock Option Plan - incorporated by reference to Exhibit 10.8 to the 2005 Q-1 10-Q.
10.16*	Continental Airlines, Inc. 2005 Pilot Supplemental Option Plan - incorporated by reference to Exhibit 10.9 to the 2005 Q-1 10-Q.
10.17*	Continental Airlines, Inc. Enhanced Profit Sharing Plan, as amended through February 23, 2007 - incorporated by reference to Exhibit 10.19 to the 2006 10-K.
10.18*	Continental Airlines, Inc. Profit Sharing Plan, as adopted February 17, 2010. (3)
10.19*	Summary of Non-Employee Director compensation. (3)
10.20*	Form of Letter Agreement relating to certain flight benefits between Continental and each of its non-employee directors. (3)
10.21	Amended and Restated Credit and Guaranty Agreement, dated as of August 3, 2006, among Continental and Continental Micronesia, Inc., as borrowers and guarantors, Air Micronesia, Inc., as a guarantor, Merrill Lynch Mortgage Capital, Inc., as administrative agent, and the lenders party thereto - incorporated by reference to Exhibit 10.3 to the 2006 Q-3 10-Q. (1)
10.22	Purchase Agreement No. 1951, including exhibits and side letters thereto, between the Company and Boeing, dated July 23, 1996, relating to the purchase of Boeing 737 aircraft ("P.A. 1951") - incorporated by reference to Exhibit 10.8 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (File no. 1-10323). (1)
10.22(a)	Supplemental Agreement No. 1 to P.A. 1951, dated October 10, 1996 - incorporated by reference to Exhibit 10.14(a) to Continental's Annual Report on Form 10-K for the year ended December 31, 1996 (File no. 1-1-323). (1)
10.22(b)	Supplemental Agreement No. 2 to P.A. 1951, dated March 5, 1997 - incorporated by reference to Exhibit 10.3 to Continental's Quarterly Report on Form 10-Q for the quarter ending March 31, 1997 (File no. 1-10323). (1)
10.22(c)	Supplemental Agreement No. 3, including exhibit and side letter, to P.A. 1951, dated July 17, 1997 - incorporated by reference to Exhibit 10.14(c) to the 1997 10-K. (1)
10.22(d)	Supplemental Agreement No. 4, including exhibits and side letters, to P.A. 1951, dated October 10, 1997 - incorporated by reference to Exhibit 10.14(d) to the 1997 10-K. (1)
10.22(e)	Supplemental Agreement No. 5, including exhibits and side letters, to P.A. 1951, dated October 10, 1997 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File no. 1-10323). (1)

10.22(f)	Supplemental Agreement No. 6, including exhibits and side letters, to P.A. 1951, dated July 30, 1998 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (File no. 1-10323). (1)
10.22(g)	Supplemental Agreement No. 7, including side letters, to P.A. 1951, dated November 12, 1998 - incorporated by reference to Exhibit 10.24(g) to the 1998 10-K. (1)
10.22(h)	Supplemental Agreement No. 8, including side letters, to P.A. 1951, dated December 7, 1998 - incorporated by reference to Exhibit 10.24(h) to the 1998 10-K. (1)
10.22(i)	Letter Agreement No. 6-1162-GOC-131R1 to P.A. 1951, dated March 26, 1998 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (File no. 1-10323). (1)
10.22(j)	Supplemental Agreement No. 9, including side letters, to P.A. 1951, dated February 18, 1999 - incorporated by reference to Exhibit 10.4 to the 1999 Q-1 10-Q. (1)
10.22(k)	Supplemental Agreement No. 10, including side letters, to P.A. 1951, dated March 19, 1999 - incorporated by reference to Exhibit 10.4(a) to the 1999 Q-1 10-Q. (1)
10.22(l)	Supplemental Agreement No. 11, including side letters, to P.A. 1951, dated March 14, 1999 - incorporated by reference to Exhibit 10.4(a) to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 (File no. 1-10323). (1)
10.22(m)	Supplemental Agreement No. 12, including side letters, to P.A. 1951, dated July 2, 1999 - incorporated by reference to Exhibit 10.8 to the 1999 Q-3 10-Q. (1)
10.22(n)	Supplemental Agreement No. 13 to P.A. 1951, dated October 13, 1999 - incorporated by reference to Exhibit 10.25(n) to the 1999 10-K. (1)
10.22(o)	Supplemental Agreement No. 14 to P.A. 1951, dated December 13, 1999 - incorporated by reference to Exhibit 10.25(o) to the 1999 10-K. (1)
10.22(p)	Supplemental Agreement No. 15, including side letters, to P.A. 1951, dated January 13, 2000 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 (File no. 1-10323) (the "2000 Q-1 10-Q"). (1)
10.22(q)	Supplemental Agreement No. 16, including side letters, to P.A. 1951, dated March 17, 2000 - incorporated by reference to the 2000 Q-1 10-Q. (1)
10.22(r)	Supplemental Agreement No. 17, including side letters, to P.A. 1951, dated May 16, 2000 - incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (File no. 1-10323). (1)

10.22(s)	Supplemental Agreement No. 18, including side letters, to P.A. 1951, dated September 11, 2000 - incorporated by reference to Exhibit 10.6 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 (File no. 1-10323). (1)
10.22(t)	Supplemental Agreement No. 19, including side letters, to P.A. 1951, dated October 31, 2000 - incorporated by reference to Exhibit 10.20(t) to the 2000 10-K. (1)
10.22(u)	Supplemental Agreement No. 20, including side letters, to P.A. 1951, dated December 21, 2000 - incorporated by reference to Exhibit 10.20(u) to the 2000 10-K. (1)
10.22(v)	Supplemental Agreement No. 21, including side letters, to P.A. 1951, dated March 30, 2001 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (File no. 1-10323). (1)
10.22(w)	Supplemental Agreement No. 22, including side letters, to P.A. 1951, dated May 23, 2001 - incorporated by reference to Exhibit 10.3 to the 2001 Q-2 10-Q. (1)
10.22(x)	Supplemental Agreement No. 23, including side letters, to P.A. 1951, dated June 29, 2001 - incorporated by reference to Exhibit 10.4 to the 2001 Q-2 10-Q. (1)
10.22(y)	Supplemental Agreement No. 24, including side letters, to P.A. 1951, dated August 31, 2001 - incorporated by reference to Exhibit 10.11 to the 2001 Q-3 10-Q. (1)
10.22(z)	Supplemental Agreement No. 25, including side letters, to P.A. 1951, dated December 31, 2001 - incorporated by reference to Exhibit 10.22(z) to the 2001 10-K. (1)
10.22(aa)	Supplemental Agreement No. 26, including side letters, to P.A. 1951, dated March 29, 2002 - incorporated by reference to Exhibit 10.4 to the 2002 Q-1 10-Q. (1)
10.22(ab)	Supplemental Agreement No. 27, including side letters, to P.A. 1951, dated November 6, 2002 - incorporated by reference to Exhibit 10.4 to the 2002 Q-1 10-Q. (1)
10.22(ac)	Supplemental Agreement No. 28, including side letters, to P.A. 1951, dated April 1, 2003 - incorporated by reference to Exhibit 10.2 to the 2003 Q-1 10-Q. (1)
10.22(ad)	Supplemental Agreement No. 29, including side letters, to P.A. 1951, dated August 19, 2003 - incorporated by reference to Exhibit 10.2 to the 2003 Q-3 10-Q. (1)
10.22(ae)	Supplemental Agreement No. 30 to P.A. 1951, dated as of November 4, 2003 - incorporated by reference to Exhibit 10.23(ae) to Continental's Annual Report on Form 10-K for the year ended December 31, 2003 (File no. 1-10323) (the "2003 10-K"). (1)

10.22(af)	Supplemental Agreement No. 31 to P.A. 1951, dated as of August 20, 2004 - incorporated by reference to Exhibit 10.4 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (File no. 1-10323) (the "2004 Q-3 10-Q"). (1)
10.22(ag)	Supplemental Agreement No. 32 to P.A. 1951, including side letters, dated as of December 29, 2004 - incorporated by reference to Exhibit 10.21(ag) to the 2004 10-K. (1)
10.22(ah)	Supplemental Agreement No. 33 to P.A. 1951, including side letters, dated as of December 29, 2004 - incorporated by reference to Exhibit 10.21(ah) to the 2004 10-K. (1)
10.22(ai)	Supplemental Agreement No. 34 dated June 22, 2005 to P.A. 1951 - incorporated by reference to Exhibit 10.3 to the 2005 Q-2 10-Q. (1)
10.22(aj)	Supplemental Agreement No. 35 dated June 30, 2005 to P.A. 1951 - incorporated by reference to Exhibit 10.4 to the 2005 Q-2 10-Q. (1)
10.22(ak)	Supplemental Agreement No. 36 dated July 28, 2005 to P.A. 1951 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File no. 1-10323) (the "2005 Q-3 10-Q"). (1)
10.22(al)	Supplemental Agreement No. 37 dated March 30, 2006, to P.A. 1951 - incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File no. 1-10323) (the "2006 Q-1 10-Q"). (1)
10.22(am)	Supplemental Agreement No. 38, dated June 6, 2006, to P.A. 1951 - incorporated by reference to Exhibit 10.3 to the 2006 Q-2 10-Q. (1)
10.22(an)	Supplemental Agreement No. 39, dated August 3, 2006, to P.A. 1951 - incorporated by reference to Exhibit 10.4 to the 2006 Q-3 10-Q. (1)
10.22(ao)	Supplemental Agreement No. 40, dated December 5, 2006, to P.A. 1951 - incorporated by reference to Exhibit 10.23(ao) to the 2006 10-K. (1)
10.22(ap)	Supplemental Agreement No. 41, dated June 1, 2007, to P.A. 1951 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File no. 1-10323) (the "2007 Q-2 10-Q"). (1)
10.22(aq)	Supplemental Agreement No. 42, dated June 12, 2007, to P.A. 1951 - incorporated by reference to Exhibit 10.2 to the 2007 Q-2 10-Q. (1)
10.22(ar)	Supplemental Agreement No. 43, dated July 18, 2007 to P.A. 1951 - incorporated by reference to Exhibit 10.1 to the 2007 Q-3 10-Q. (1)

10.22(as)	Supplemental Agreement No. 44, dated December 7, 2007, to P.A. 1951 - incorporated by reference to Exhibit 10.21(as) to Continental's Annual Report on Form 10-K for the year ended December 31, 2007 (File no. 1-10323) (the "2007 10-K"). (1)
10.22(at)	Supplemental Agreement No. 45, dated February 20, 2008, to P.A. 1951 - incorporated by reference to Exhibit 10.2 to the 2008 Q-1 10-Q. (1)
10.22(au)	Supplemental Agreement No. 46, dated June 25, 2008, to P.A. 1951 - incorporated by reference to Exhibit 10.5 to the 2008 Q-2 10-Q. (1)
10.22(av)	Supplemental Agreement No. 47, dated October 30, 2008, to P.A. 1951 – incorporated by reference to Exhibit 10.21(av) to the 2008 10-K. (1)
10.22(aw)	Supplemental Agreement No. 48, dated January 29, 2009, to P.A. 1951 – incorporated by reference to Exhibit 10.3 to the 2009 Q-2 10-Q.(1)
10.22(ax)	Supplemental Agreement No. 49, dated May 1, 2009, to P.A. 1951 – incorporated by reference to Exhibit 10.4 to the 2009 Q-2 10-Q.(1)
10.22(ay)	Supplemental Agreement No. 50, dated July 23, 2009, to P.A. 1951 – incorporated by reference to Exhibit 10.2 to Continental's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 (the "2009 Q-3 10-Q").(1)
10.22(az)	Supplemental Agreement No. 51, dated August 5, 2009, to P.A. 1951 – incorporated by reference to Exhibit 10.3 to the 2009 Q-3 10-Q. (1)
10.22(ba)	Supplemental Agreement No. 52, dated August 31, 2009, to P.A. 1951 – incorporated by reference to Exhibit 10.4 to the 2009 Q-3 10-Q. (1)
10.22(bb)	Supplemental Agreement No. 53, dated December 23, 2009, to P.A. 1951. (2)(3)
10.23	Aircraft General Terms Agreement between the Company and Boeing, dated October 10, 1997 - incorporated by reference to Exhibit 10.15 to the 1997 10-K. (1)
10.23(a)	Letter Agreement No. 6-1162-GOC-136 between the Company and Boeing, dated October 10, 1997, relating to certain long-term aircraft purchase commitments of the Company - incorporated by reference to Exhibit 10.15(a) to the 1997 10-K. (1)
10.24	Purchase Agreement No. 2061, including exhibits and side letters, between the Company and Boeing, dated October 10, 1997, relating to the purchase of Boeing 777 aircraft ("P.A. 2061") - incorporated by reference to Exhibit 10.17 to the 1997 10-K. (1)
10.24(a)	Supplemental Agreement No. 1 to P.A. 2061 dated December 18, 1997 - incorporated by reference to Exhibit 10.17(a) as to the 1997 10-K. (1)

10.24(b)	Supplemental Agreement No. 2, including side letter, to P.A. 2061, dated July 30, 1998 - incorporated by reference to Exhibit 10.27(b) to the 1998 10-K. (1)
10.24(c)	Supplemental Agreement No. 3, including side letter, to P.A. 2061, dated September 25, 1998 - incorporated by reference to Exhibit 10.27(c) to the 1998 10-K. (1)
10.24(d)	Supplemental Agreement No. 4, including side letter, to P.A. 2061, dated February 3, 1999 - incorporated by reference to Exhibit 10.5 to the 1999 Q-1 10-Q. (1)
10.24(e)	Supplemental Agreement No. 5, including side letter, to P.A. 2061, dated March 26, 1999 - incorporated by reference to Exhibit 10.5(a) to the 1999 Q-1 10-Q. (1)
10.24(f)	Supplemental Agreement No. 6 to P.A. 2061, dated June 25, 2002 - incorporated by reference to Exhibit 10.12 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File no. 1-10323) (the "2002 Q-2 10-Q"). (1)
10.24(g)	Supplemental Agreement No. 7, including side letter, to P.A. 2061, dated October 31, 2000 - incorporated by reference to Exhibit 10.23(g) to the 2000 10-K. (1)
10.24(h)	Supplemental Agreement No. 8, including a side letter, to P.A. 2061, dated June 29, 2001 - incorporated by reference to Exhibit 10.5 to the 2001 Q-2 10-Q. (1)
10.24(i)	Supplemental Agreement No. 9 to P.A. 2061, dated June 25, 2002 - incorporated by reference to Exhibit 10.12 to the 2002 Q-2 10-Q. (1)
10.24(j)	Supplemental Agreement No. 10 to P.A. 2061, dated November 4, 2003 - incorporated by reference to Exhibit 10.26(j) to the 2003 10-K. (1)
10.24(k)	Supplemental Agreement No. 11 to P.A. 2061, dated July 28, 2005 - incorporated by reference to Exhibit 10.2 to the 2005 Q-3 10-Q. (1)
10.24(l)	Supplemental Agreement No. 12 to P.A. 2061, dated March 17, 2006 - incorporated by reference to Exhibit 10.3 to the 2006 Q-1 10-Q. (1)
10.24(m)	Supplemental Agreement No. 13, dated December 3, 2007, to P.A. 2061 - incorporated by reference to Exhibit 10.23(m) to the 2007 10-K. (1)
10.24(n)	Supplemental Agreement No. 14 to P.A. 2061, dated February 20, 2008 - incorporated by reference to Exhibit 10.3 to the 2008 Q-1 10-Q. (1)
10.24(o)	Supplemental Agreement No. 15, dated October 15, 2008, to P.A. 2061 - incorporated by reference to Exhibit 10.5 to the 2009 Q-2 10-Q. (1)

10.24(p)	Supplemental Agreement No. 16, dated May 1, 2009, to P.A. 2061 - incorporated by reference to Exhibit 10.6 to the 2009 Q-2 10-Q. (1)
10.24(q)	Supplemental Agreement No. 17, dated August 31, 2009, to P.A. 2061 - incorporated by reference to Exhibit 10.5 to the 2009 Q-3 10-Q. (1)
10.24(r)	Supplemental Agreement no. 18, dated December 23, 2009, to P.A. 2061. (2)(3)
10.25	Letter Agreement 6-1162-CHL-048 between the Company and Boeing, dated February 8, 2002, amending P.A. 1951, 2333, 2211, 2060 and 2061 - incorporated by reference to Exhibit 10.44 to the 2001 10-K. (1)
10.26	Purchase Agreement No. 2484, including exhibits and side letters, between the Company and Boeing, dated December 29, 2004, relating to the purchase of Boeing 7E7 aircraft (now known as 787 aircraft) ("P.A. 2484") - incorporated by reference to Exhibit 10.27 to the 2004 10-K. (1)
10.26(a)	Supplemental Agreement No. 1 to P.A. 2484, dated June 30, 2005 - incorporated by reference to Exhibit 10.5 to the 2005 Q-2 10-Q. (1)
10.26(b)	Supplemental Agreement No. 2, including exhibits and side letters, to P.A. 2484, dated January 20, 2006 - incorporated by reference to Exhibit 10.27(b) to the 2005 10-K. (1)
10.26(c)	Supplemental Agreement No. 3, dated May 3, 2006, to P.A. 2484 - incorporated by reference to Exhibit 10.4 to the 2006 Q-2 10-Q. (1)
10.26(d)	Supplemental Agreement No. 4, dated July 14, 2006, to P.A. 2484 - incorporated by reference to Exhibit 10.5 to the 2006 Q-3 10-Q. (1)
10.26(e)	Supplemental Agreement No. 5, dated March 12, 2007, to P.A. 2484 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File no. 1-10323). (1)
10.26(f)	Supplemental Agreement No. 6, dated October 22, 2008, to P.A. 2484 – incorporated by reference to Exhibit 10.25(f) to the 2008 10-K. (1)
10.27	Amended and Restated Letter Agreement No. 11 between Continental and General Electric Company, dated August 8, 2005, relating to certain long-term engine purchase commitments of Continental - incorporated by reference to Exhibit 10.3 to the 2005 Q-3 10-Q. (1)
10.28	Standstill Agreement dated as of November 15, 2000 among the Company, Northwest Airlines Holdings Corporation, Northwest Airlines Corporation and Northwest Airlines, Inc. - incorporated by reference to Exhibit 99.8 to the 11/00 8-K.

10.29	Second Amended and Restated Capacity Purchase Agreement ("XJT Capacity Purchase Agreement") among Continental, ExpressJet Holdings, Inc., XJT Holdings, Inc. and ExpressJet Airlines, Inc. dated June 5, 2008 - incorporated by reference to Exhibit 10.4 to the 2008 Q-2 10-Q. (1)
10.29(a)	First Amendment to the XJT Capacity Purchase Agreement, dated as of August 29, 2008 - incorporated by reference to Exhibit 10.1 to the 2008 Q-3 10-Q.
10.29(b)	Second Amendment to the XJT Capacity Purchase Agreement, dated as of December 23, 2008 – incorporated by reference to Exhibit 10.28(b) to the 2008 10-K. (1)
10.29(c)	Third Amendment to the XJT Capacity Purchase Agreement, dated as of December 22, 2009. (2) (3)
10.30	Agreement between the Company and the United States of America, acting through the Transportation Security Administration, dated May 7, 2003 - incorporated by reference to Exhibit 10.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (File no. 1-10323).
21.1	List of Subsidiaries of Continental. (3)
23.1	Consent of Ernst & Young LLP. (3)
24.1	Powers of attorney executed by certain directors and officers of Continental. (3)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. (3)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. (3)
32.1	Section 1350 Certifications. (4)

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*These exhibits relate to management contracts or compensatory plans or arrangements.

(1) The Commission has granted confidential treatment for a portion of this exhibit.
(2) Continental has applied to the Commission for confidential treatment of a portion of this exhibit.
(3) Filed herewith.
(4) Furnished herewith.

Exhibit 10.12

CONTINENTAL AIRLINES, INC.

INCENTIVE PLAN 2010

(as amended and restated through February 17, 2010)

1. PURPOSE

The purpose of the **Continental Airlines, Inc. Incentive Plan 2010** is to provide a means through which Continental Airlines, Inc. and its subsidiaries may attract able persons to serve as directors, or to enter or remain in the employ of the Company (as defined below) or its subsidiaries, and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company and its subsidiaries rest, and whose present and potential contributions to the Company and its subsidiaries are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company and its subsidiaries. A further purpose of the Plan is to provide such individuals with additional incentive and reward opportunities designed to enhance the profitable growth of the Company and its subsidiaries. Accordingly, the Plan provides for granting Incentive Stock Options, Non-Qualified Options, SARs, Restricted Stock Awards, Performance Awards, Incentive Awards, and Other Stock Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular person.

2. DEFINITIONS

The following definitions (including any plural thereof) shall be applicable throughout the Plan unless specifically modified by any Section:

(a) **"Administrator"** means the Committee or the Chief Executive Officer of the Company (if the Chief Executive Officer is a Director), subject to the provisions of Section 4(a) of the Plan.

(b) **"Award"** means, individually or collectively, any Option, SAR, Restricted Stock Award, Performance Award, Incentive Award, or Other Stock Award.

(c) **"Board"** means the Board of Directors of the Company.

(d) "**Change in Control**" shall have the meaning assigned to such term in Section 12(e) of the Plan.

(e) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations promulgated under such section.

(f) **"Committee"** means a committee of the Board comprised solely of two or more outside Directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code and applicable interpretive authority thereunder and within the meaning of "Non-Employee Director" as defined in Rule 16b-3). Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.

(g) **"Common Stock"** means the Class B common stock, $.01 par value, of the Company, or any security into which such common stock may be changed by reason of any transaction or event of the type described in Section 12 of the Plan.

(h) **"Company"** shall mean Continental Airlines, Inc., a Delaware corporation, or any successor thereto.

(i) **"Director"** means an individual who is a member of the Board.

(j) **"Disability"** means, with respect to any person, such person's disability entitling him or her to benefits under the Company's group long-term disability plan; provided, however, that if such person is not eligible to participate in such plan, then such person shall be considered to have incurred a "Disability" if and when the Administrator determines in its discretion that such person has become incapacitated for a period of at least 180 days by accident, sickness, or other circumstance which renders such person mentally or physically incapable of performing the material duties and services required of him or her in his or her employment on a full-time basis during such period.

(k) **"employee"** means any person (which may include a Director) in an employment relationship with the Company or any parent corporation (as defined in section 424 of the Code) or any subsidiary.

(l) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(m) **"Grant Document"** means the document or documents, which may be in electronic format, evidencing an Award under the Plan, which may be either an agreement between the Company and the Holder as to the Award (with any amendments thereto) or a notice of grant of the Award from the Company to the Holder (including any attached statement of the terms and conditions of the Award and any modifications thereto made in accordance with the Plan). References in the Plan to terms to be included in a Grant Document may alternatively be included in a program adopted by the Committee pursuant to the Plan to implement the Plan provisions.

(n) "**Holder"** means an employee or a Director who has been granted an Award.

(o) "**Incentive Award"** means an Award granted under Section 10 of the Plan.

(p) **"Incentive Stock Option"** means an incentive stock option within the meaning of section 422 of the Code.

(q) **"Market Value per Share"** means, as of any specified date, the closing sale price of the Common Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) in the principal securities market in which the Common Stock is then traded. If the Common Stock is not publicly traded at the time a determination of "Market Value per Share" is required to be made hereunder, the determination of such amount shall be made by the Administrator in such manner as it deems appropriate and is consistent with the requirements of section 409A of the Code.

(r) "**Non-Qualified Option"** means an Option that is not an Incentive Stock Option.

(s) **"Option"** means an Award granted under Section 7 of the Plan and includes both Non-Qualified Options and Incentive Stock Options to purchase Common Stock.

(t) "**Other Stock Award**" means an Award granted under Section 11 of the Plan.

(u) **"Performance Award"** means an Award granted under Section 9 of the Plan.

(v) **"Performance Measure"** means a performance measure established by the Administrator that may be absolute, relative to one or more other companies, relative to one or more indexes, or measured by reference to the Company alone or the Company together with one or more of its subsidiaries. In addition, a Performance Measure may be subject to adjustment by the Administrator for changes in accounting principles, to satisfy regulatory requirements, and other specified significant extraordinary items or events. A Performance Measure may be based upon any of the following:

(i) the price of a share of Common Stock,
(ii) the Company's earnings per share,
(iii) the Company's market share or the market share of a business unit of the Company designated by the Administrator,
(iv) the Company's sales or the sales of a business unit of the Company designated by the Administrator,
(v) operating income or operating income margin of the Company or a business unit of the Company,
(vi) any operational or financial performance measure or metric with respect to the Company or any business unit or operational level within the Company,
(vii) earnings or earnings margin before or after interest, taxes, depreciation, amortization and/or aircraft rent of the Company or any business unit of the Company designated by the Administrator,
(viii) net income or net income margin (before or after taxes) of the Company or any business unit of the Company designated by the Administrator,
(ix) return on capital, assets, or stockholders' equity achieved by the Company,
(x) cash flow or return on investment of the Company or any business unit of the Company designated by the Administrator,
(xi) maintenance or achievement of a specified level of cash, cash equivalents and short-term investments (determined with or without regard to restricted cash, cash equivalents and short-term investments),
(xii) total stockholders' return, or
(xiii) a combination of any of the foregoing, including any average, weighted average, minimum, hurdle, rate of increase or other measure of any or any combination thereof.

(w) "**Personal Representative"** means the person who upon the death, Disability, or incompetency of a Holder shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option or SAR or the right to any Restricted Stock Award, Performance Award, Incentive Award, or Other Stock Award theretofore granted or made to such Holder.

(x) **"Plan"** means the Continental Airlines, Inc. Incentive Plan 2010, as amended from time to time.

(y) **"Restricted Stock"** means shares of Common Stock granted pursuant to a Restricted Stock Award as to which neither the substantial risk of forfeiture nor the restriction on transfer referred to in Section 8 of the Plan has expired.

(z) **"Restricted Stock Award"** means an Award of Restricted Stock granted under Section 8 of the Plan.

(aa) **"Rule 16b-3"** means Rule 16b-3 promulgated under the Exchange Act, as such rule may be amended from time to time, and any successor rule, regulation or statute fulfilling the same or similar function.

(bb) **"SAR"** means a stock appreciation right granted under Section 7 of the Plan, and may be granted in connection with an Option or independent of an Option.

(cc) **"subsidiary"** means any entity (other than the Company) with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).

3. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan became effective on the date of its adoption by the Board (December 1, 2009), subject to approval by the stockholders of the Company at the Company's 2010 annual meeting of stockholders. Notwithstanding any provision of the Plan or in any Grant Document, no Option or SAR shall be exercisable, no Restricted Stock Award or Other Stock Award shall be granted, and no Award shall vest or be payable in cash or settled in Common Stock prior to such stockholder approval. No further Awards may be granted under the Plan after 10 years from the date of the adoption of the Plan by the Board. The Plan shall remain in effect (for the purpose of governing outstanding Awards) until all Options and SARs granted under the Plan have been exercised or expired, all restrictions imposed upon Restricted Stock Awards granted under the Plan have been eliminated or the Restricted Stock Awards have been forfeited, and all Performance Awards, Incentive Awards and Other Stock Awards have been satisfied or have terminated.

4. ADMINISTRATION

(a) **Administrator.** The Plan shall be administered by the Administrator, so that (i) Awards made to, and the administration (or interpretation of any provision) of the Plan as it relates to, any person who is subject to section 16 of the Exchange Act, shall be made or effected by the Committee, and (ii)

Awards made to, and the administration (or interpretation of any provision) of the Plan as it relates to, any person who is not subject to section 16 of the Exchange Act, shall be made or effected by the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a Director, the Committee), unless the Plan specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Plan) specifies that it shall serve as Administrator. Notwithstanding the foregoing, the Committee may from time to time in its discretion put any conditions and restrictions on the powers that may be exercised by the Chief Executive Officer of the Company in his or her capacity as Administrator.

(b) **Powers.** Subject to the express provisions of the Plan, the Administrator shall have authority, in its discretion, to determine which employees or Directors shall receive an Award, the time or times when such Award shall be granted, the type of Award that shall be granted, the number of shares to be subject to each Option, Restricted Stock Award, Other Stock Award, or SAR, and the number of shares to be subject to or the value of each Performance Award or Incentive Award. In making such determinations, the Administrator shall take into account the nature of the services rendered by the respective employees or Directors, their present and potential contribution to the Company's success, and such other factors as the Administrator in its sole discretion shall deem relevant.

(c) **Additional Powers.** The Administrator shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, this shall include the power to construe the Plan and the respective agreements executed hereunder, to prescribe rules and regulations relating to the Plan, and to determine the terms, restrictions, and provisions of the Grant Documents, including such terms, restrictions, and provisions as shall be requisite in the judgment of the Administrator to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Grant Document relating to an Award in the manner and to the extent it shall deem expedient to carry the Plan or any such Grant Document into effect. All determinations and decisions of the Administrator on the matters referred to in this Section 4 and in construing the provisions of the Plan shall be conclusive; provided, however, that in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer of the Company, each acting in capacity as Administrator of the Plan, the determination of the Committee shall be conclusive.

(d) **Forfeiture in Certain Circumstances ("Clawback").** The Committee may terminate an Award if it determines that the Holder of such Award has engaged in material misconduct. Material misconduct includes conduct adversely affecting the Company's reputation, financial condition, results of operations or prospects, or which constitutes fraud or theft of Company assets, and such other conduct as may be set forth in a Grant Document. If such material misconduct results, directly or indirectly, in any error in financial information used in the determination of compensation paid to the Award Holder and the effect of such error is to increase the payment amount pursuant to an Award, the Committee also may require the Holder to reimburse the Company for all or a portion of the compensation provided to such Holder in connection with any such Award. In addition, if there is a material restatement of Company's financial statements that affects the financial information used in the determination of compensation paid to the Award Holder, then the Committee may take such action, in its sole discretion, as it deems necessary to adjust such compensation.

5. SHARES SUBJECT TO THE PLAN, AWARD LIMITS, AND GRANT OF AWARDS

(a) **Shares Subject to the Plan and Award Limits.** Subject to adjustment in the same manner as provided in Section 12 with respect to shares of Common Stock subject to Options then outstanding, the aggregate maximum number of shares of Common Stock that may be issued under the Plan, and the aggregate maximum number of shares of Common Stock that may be issued under the Plan through Incentive Stock Options, shall not exceed 3,750,000 shares. To the extent that an Award lapses, the Holder's rights to an Award terminate, shares issued under an Award are forfeited, or an Award is paid in cash such that all or some of the shares of Common Stock covered by the Award are not issued to the Holder pursuant to the Award, then any such forfeited or unissued shares of Common Stock then subject to such Award shall not be deemed to have been issued under the Plan (including for purposes of the limitations set forth in subparagraphs (i) thru (v) and (d)(v) below) and shall be added back to the number of shares available for issuance under the Plan (provided the grant of such Award resulted in a reduction in such number) and shall be available for the grant of an Award under the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance pursuant to an Award under the Plan: (A) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Award, or (B) shares of Common Stock used to pay the exercise price or withholding taxes related to an outstanding Award. Further, if any shares of Common Stock are purchased by the Company on the open market with the proceeds of an Option exercise, such purchase shall not result in any increase in the number of shares available for issuance under the Plan. Notwithstanding any provision in the Plan to the contrary,

(i) the aggregate maximum number of shares of Common Stock that may be subject to

(A) Options, SARs, Restricted Stock Awards, and Other Stock Awards, and

(B) Incentive Awards and Performance Awards that <u>must</u> be settled in shares of Common Stock

granted to any one individual during the term of the Plan may not exceed 50% of the aggregate maximum number of shares of Common Stock that may be issued under the Plan (as adjusted from time to time in accordance with the provisions of the Plan); and provided that any Performance Awards that must be settled in shares of Common Stock shall be measured for purposes of this limitation based on the maximum award level at the date of grant unless and until the settlement of such Performance Awards, at which point the settlement amount shall be taken into account instead of the maximum amount underlying such Performance Award at grant, and

(ii) the aggregate maximum number of shares of Common Stock that may be subject to

(A) Options, SARs, Restricted Stock Awards, and Other Stock Awards, and

(B) Incentive Awards and Performance Awards that <u>must</u> be settled in shares of Common Stock

granted to non-employee Directors during the term of the Plan may not exceed 500,000 shares (subject to adjustment in the same manner as provided in Section 12 with respect to shares of Common Stock subject to Options then outstanding); and provided that any Performance Awards that must be settled in shares of Common Stock shall be measured for purposes of this limitation based on the maximum award level at the date of grant unless and until the settlement of such Performance Awards, at which point the settlement amount shall be taken into account instead of the maximum amount underlying such Performance Award at grant, and

(iii) the aggregate maximum number of shares of Common Stock that may be issued as Restricted Stock Awards or Other Stock Awards or in settlement of Incentive Awards or Performance Awards during the term of the Plan may not exceed 1,000,000 shares (subject to adjustment in the same manner as provided in Section 12 with respect to shares of Common Stock subject to Options then outstanding and provided that shares issued under such Awards that are forfeited back to the Company shall again be available for issuance within such limit),

(iv) the maximum amount of compensation that may be paid under all Performance Awards that may be settled in cash (including the fair market value (determined based upon Market Value per Share) of any shares of Common Stock paid in satisfaction of such Performance Awards) granted to any one individual during any calendar year may not exceed $20 million, and any payment due with respect to a Performance Award shall be paid no later than 10 years after the date of grant of such Performance Award, and

(v) the aggregate maximum number of shares of Common Stock that may be subject to

(A) Options, SARs, Restricted Stock Awards, and Other Stock Awards, and

(B) Incentive Awards and Performance Awards that must be settled in shares of Common Stock

granted during the term of the Plan and that do not contain the minimum exercisability or vesting requirements as set forth in paragraphs (d) below may not exceed 5% of the aggregate maximum number of shares of Common Stock that may be issued under the Plan (subject to adjustment in the same manner as provided in Section 12).

The limitations set forth in clauses (i) and (iv) of the preceding sentence shall be applied in a manner that will permit Awards that are intended to provide “performance-based” compensation for purposes of section 162(m) of the Code to satisfy the requirements of such section, including, without limitation, counting against such maximum number of shares, to the extent required under section 162(m) of the Code and applicable interpretive authority thereunder, any shares subject to Options or SARs granted to employees that are canceled or repriced.

(b) **Grant of Awards.** The Administrator may from time to time grant Awards to one or more employees or Directors determined by it to be eligible for participation in the Plan in accordance with the terms of the Plan.

(c) **Stock Offered.** Subject to the limitations set forth in Section 5(a) above, the stock to be offered pursuant to an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares that remain unissued and that are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan. The shares of Common Stock to be issued pursuant to any Award may be represented by physical stock certificates or may be uncertificated. Notwithstanding references in the Plan to certificates, the Company may deliver uncertificated shares of Common Stock in connection with any Award. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid.

(d) **Minimum Exercisability or Vesting Requirements.**

(i) Time Vested Awards. Awards granted to employees that have a condition to exercise or vesting related solely to the continued employment of the employee may not be exercisable in full, and any applicable vesting conditions shall not be released, in less than three years from the date of grant (but pro rata exercisability and release of any applicable vesting conditions may be permitted over such time); provided that if an Award is granted with conditions that relate to both time and Performance Measures, the Award may vest upon the earlier satisfaction of the Performance Measures, subject to subparagraph (ii) below.

(ii) Performance Based Awards. Awards granted to employees that have a condition to exercise or vesting based on the achievement of Performance Measures shall have a minimum waiting period for exercise or vesting of one year from the date of grant.

(iii) Awards to non-employee Directors. Awards granted to non-employee Directors pursuant to the Company’s non-employee Director compensation program, which may be amended from time to time, need not be subject to the requirements set forth in subparagraphs (i) and (ii) above and may vest in full on the date of grant. However, discretionary Awards to non-employee Directors shall be subject to the requirements set forth in subparagraphs (i) and (ii) above.

(iv) Permitted Exceptions. The exercisability and vesting requirements set forth in subparagraphs (i), (ii), and (iii) above shall not be applicable to (A) grants to new hires in lieu of cash compensation to replace forfeited awards from a prior employer, including Awards described in Section 7(h), (B) acceleration of exercisability or vesting upon the death, Disability or retirement of the Holder and upon certain other terminations of employment as provided pursuant to the terms of any employment agreement with a Holder entered into with the Company prior to the Effective Date of the Plan, (C) acceleration of exercisability or vesting upon a Change in Control or Corporate Change, and (D) grants of Awards made in payment of other earned cash-based incentive compensation.

(v) Administrator Discretion. The Administrator shall have the discretion to grant an Award that does not contain the minimum exercisability and vesting requirements as set forth in this paragraph (d) subject to the limitation set forth in paragraph (a)(v) above.

6. ELIGIBILITY

Awards may be granted only to persons who, at the time of grant, are employees or Directors. An Award may be granted on more than one occasion to the same person and, subject to the limitations set forth in the Plan, Awards may include an Incentive Stock Option, a Non-Qualified Option, an SAR, a Restricted Stock Award, a Performance Award, an Incentive Award, an Other Stock Award, or any combination thereof.

7. OPTIONS AND SARS

(a) **Option Period.** The term of each Option shall be as specified by the Administrator at the date of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant.

(b) **Exercise of Option.** Subject to Section 5(d), an Option shall be exercisable in whole or in such installments and at such times as determined by the Administrator.

(c) **Special Limitations on Incentive Stock Options.** An Incentive Stock Option may be granted only to an individual who is employed by the Company or any parent or subsidiary corporation (as defined in section 424 of the Code) of the Company at the time the Option is granted. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds $100,000, such Incentive Stock Options shall be treated as Non-Qualified Options. The Administrator shall determine, in accordance with applicable provisions of the Code, Treasury regulations and other administrative pronouncements, which of a Holder's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Holder of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporation, within the meaning of section 422(b)(6) of the Code, unless (i) at the time such Option is granted the option price is at least 110% of the Market Value per Share of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant. Except as otherwise provided in section 421 or 422 of the Code, an Incentive Stock Option shall not be transferable otherwise than by will or the laws of descent and distribution, and shall be exercisable during the Holder's lifetime only by such Holder or the Holder's guardian or Personal Representative.

(d) **Option Grant Document.** Each Option shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve, including, without limitation, provisions to qualify an Option as an Incentive Stock Option under section 422 of the Code. Each Option Grant Document shall specify the effect of termination of employment or membership on the Board, as applicable, on the exercisability of the Option. The terms and conditions of the respective Option Grant Documents need not be identical.

(e) **Option Price and Payment.** The price at which a share of Common Stock may be purchased upon exercise of an Option shall be set forth in the Option Grant Document and shall be determined by the Administrator but, subject to adjustment as provided in Section 12, such purchase price shall not be less than the Market Value per Share of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise, which may be in electronic format, to the Company or to a third party administrator designated by the Company. To the extent permitted by the Administrator, the Holder of an Option may pay the Option purchase price, in whole or in part, by delivery of a number of shares of Common Stock (plus cash if necessary) having a fair market value (determined based upon the Market Value per Share) equal to the Option purchase price of the portion of the Option being exercised. To the extent permitted by the Administrator and applicable law, the Holder also may exercise the Option through a "cashless exercise" of the Option pursuant to procedures satisfactory to the Administrator with respect thereto. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of any Non-Qualified Option.

(f) **Stockholder Rights and Privileges.** The Holder of an Option or an SAR shall be entitled to all the rights and privileges of a stockholder only with respect to such shares of Common Stock as have been acquired under the Option or the SAR and for which certificates representing such Common Stock have been registered in the Holder's name.

(g) **SARs.** A SAR provides the Holder with a right to acquire, upon exercise of the right, Common Stock and/or, in the sole discretion of the Administrator, cash having an aggregate value equal to the then excess of the Market Value per Share of the shares with respect to which the right is exercised over the exercise price therefor. The Administrator shall retain final authority to determine whether a Holder shall be permitted, and to approve any election by a Holder, to receive cash in full or partial settlement of a SAR. The Administrator (concurrently with the grant of an Option or subsequent to such grant) may, in its sole discretion, grant SARs to any Holder of an Option. In the case of any SAR that is granted in connection with an Incentive Stock Option, such SAR shall be exercisable only when the Market Value per Share of the Common Stock exceeds the price specified therefor in the Option or portion thereof to be surrendered. In the case of any SAR that is granted in connection with an Option, the exercise of the SAR shall result in the surrender of the right to purchase a number of shares under the Option equal to the number of shares with respect to which the SAR is exercised (and vice versa). In addition, a SAR may be granted independently of an Option pursuant to a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve; provided however that (i) the exercise price per share of Common Stock subject to the SAR shall be determined by the Administrator but, subject to adjustment as provided in Section 12, such exercise price shall not be less than the Market Value per Share of a share of Common Stock on the date such SAR is granted, (ii) the term of the SAR shall be as specified by the Administrator at the date of grant, but in no event shall an SAR be exercisable after the expiration of 10 years from the date of grant, and (iii) subject to Section 5(d), the SAR shall be exercisable in whole or in such installments and at such times as determined by the Administrator. Additional terms and conditions governing any SAR may from time to time be prescribed by the Administrator in its sole discretion.

(h) **Options and SARs in Substitution for Stock Options Granted by Other Entities.** Options and SARs may be granted under the Plan from time to time in substitution for stock options and such rights held by individuals providing service to corporations or other entities who become employees or Directors as a result of a merger or consolidation or other business combination of the employing corporation with the Company or any subsidiary.

(i) **Repricing.** Without the affirmative vote of holders of a majority of the shares of Common Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares is present or represented by proxy, except for adjustments authorized under Section 12, neither the Board nor the Administrator shall approve either (i) the cancellation of outstanding Options or SARs and the grant in substitution therefore of any new Awards under the Plan having a lower option or exercise price than that of the cancelled Options or SARs specified on the original date of grant, or (ii) the amendment of outstanding Options or SARs to reduce the option or exercise price thereof below the price specified for such Award on the original date of grant. This Section 7(i) shall not be construed to apply to “issuing or assuming a stock option in a transaction to which section 424(a) applies,” within the meaning of section 424 of the Code.

8. RESTRICTED STOCK AWARDS

(a) **Stockholder Rights and Privileges.** Unless provided otherwise in the related Grant Document, each grant of Restricted Stock pursuant to a Restricted Stock Award will constitute an immediate transfer to the Holder of all stockholder rights and privileges with respect to the shares of Common Stock subject to the Restricted Stock Award, including record and beneficial ownership, the right to receive dividends and all voting and other ownership rights, except that (i) the Holder shall not be entitled to delivery of the stock certificate until the Forfeiture Restrictions (defined in paragraph (b) below) have expired, (ii) the Company shall retain custody of the stock until the Forfeiture Restrictions have expired, (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the stock underlying the Restricted Stock Award until the Forfeiture Restrictions have expired, (iv) a breach of the terms and conditions established by the Committee pursuant to the applicable Grant Document shall cause a forfeiture of the Restricted Stock Award, and (v) with respect to the payment of any dividend with respect to shares of Common Stock subject to the applicable Grant Document directly to the Holder, each such dividend shall be paid no later than the end of the calendar year in which the dividends are paid to stockholders of such class of shares or, if later, the fifteenth day of the third month following the date the dividends are paid to stockholders of such class of shares. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms, conditions, or restrictions relating to the Restricted Stock Award, including, but not limited to, rules pertaining to the termination of employment or service (by retirement, Disability, death, or otherwise) of a Holder prior to expiration of the Forfeitures Restrictions. Such additional terms, conditions, or restrictions shall be set forth in the Grant Document related to such Award.

(b) **Substantial Risk of Forfeiture and Restrictions on Transfer.** Shares of Common Stock that are the subject of a Restricted Stock Award shall be subject to one or more restrictions determined by the Administrator in its sole discretion, including, without limitation, a restriction that constitutes a “substantial risk of forfeiture” within the meaning of section 83 of the Code and applicable interpretive authority thereunder (the “Forfeiture Restrictions”). Each Restricted Stock Award may have different Forfeiture Restrictions, in the discretion of the Administrator. The Administrator may provide that the Forfeiture Restrictions shall lapse upon (i) the attainment of one or more Performance Measures, (ii) the Holder’s continued employment with the Company or a subsidiary or continued service as a Director for a specified period of time, (iii) the occurrence of any event or the satisfaction of any other condition specified by the Administrator in its sole discretion, or (iv) a combination of any of the foregoing. During such period or periods during which such Forfeiture Restrictions are to continue and subject to the provisions of Section 5(d), the transferability of the Restricted Stock subject to such restrictions will be prohibited or restricted in a manner and to the extent prescribed by the Administrator at the date of grant.

(c) **Payment for Restricted Stock**. The Administrator shall determine the amount and form of any payment for Common Stock received pursuant to a Restricted Stock Award (which payment may be an amount that is less than the Market Value per Share on the date of grant); provided, however, that in the absence of such a determination, a Holder shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law.

(d) **Restricted Stock Grant Document.** Each grant of Restricted Stock shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Restricted Stock Grant Documents need not be identical.

9. PERFORMANCE AWARDS

(a) **Performance Period**. The Administrator shall establish, with respect to and at the time of each Performance Award, the number of shares of Common Stock subject to, or the maximum value of, the Performance Award and a performance period over which the performance applicable to the Performance Award shall be measured. A Performance Award may be granted in the form of a “restricted stock unit” or “RSU” award or such other form as determined by the Administrator from time to time.

(b) **Performance Measures.** A Performance Award shall be awarded to a Holder contingent upon future performance of the Company or any subsidiary, division, or department thereof during the performance period. To the extent that compliance with section 162(m) of the Code is intended with respect to an Award, the Committee shall establish the Performance Measures applicable to such Performance Award within the applicable time period permitted by section 162(m) of the Code, subject to adjustment thereto as may be determined by the Administrator for changes in accounting principles and other specified significant extraordinary items or events as permitted by section 162(m) of the Code. The Administrator, in its sole discretion, may provide for an adjustable (i) number of shares of Common Stock subject to the Performance Award or (ii) value of the Performance Award based upon the level of achievement of Performance Measures.

(c) **Awards Criteria**. In determining the value of Performance Awards, the Administrator may take into account a Holder’s responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate. The Administrator, in its sole discretion, may provide for a reduction in the number of shares of Common Stock subject to the Performance Award or the value of a Holder’s Performance Award during the performance period, if permitted by the applicable Grant Document.

(d) **Payment**. Following the end of the performance period for a Performance Award (or at such other time as the applicable Grant Document may provide, subject to Section 5(d)), the Holder of a Performance Award shall be entitled to receive payment of an amount not exceeding the number of shares of Common Stock subject to, or the maximum value of, the Performance Award, based on the achievement of the Performance Measures for such performance period, as determined by the Administrator and certified by the Committee if and as required by section 162(m) of the Code. Payment of a Performance Award may be made in cash, Common Stock (valued at the Market Value per Share), or a combination thereof, as determined by the Administrator. Payment shall be made in a lump sum or in installments as prescribed by the Committee. If a Performance Award covering shares of Common Stock is to be paid in cash, such payment shall be based on the Market Value per Share on the payment date or such other date, or averaged over such period, as may be specified by the Committee in the applicable Grant Document.

(e) **Termination of Award**. A Performance Award shall terminate if the Holder does not remain continuously in the employ (or in service as a Director) of the Company or a subsidiary at all times during the applicable performance period, except as otherwise set forth in the applicable Grant Document or determined by the Administrator.

(f) **Performance Award Grant Document**. Each grant of a Performance Award shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Performance Award Grant Documents need not be identical.

10. INCENTIVE AWARDS

(a) **Incentive Awards**. Incentive Awards are rights to receive shares of Common Stock (or the Market Value per Share thereof), or rights to receive an amount equal to any appreciation or increase in the Market Value per Share of Common Stock over a specified period of time, which vest over a period of time, subject to Section 5(d), as established by the Administrator, without satisfaction of any performance criteria or objectives. The Administrator may, in its discretion, require payment or other conditions of the Holder respecting any Incentive Award. An Incentive Award may be granted in the form of a "phantom stock" award or "restricted stock unit" or "RSU" award or such other form as determined by the Administrator from time to time.

(b) **Award Period**. The Administrator shall establish, with respect to and at the time of each Incentive Award, a period over which the Award shall vest with respect to the Holder.

(c) **Awards Criteria**. In determining the value of Incentive Awards, the Administrator shall take into account a Holder's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate.

(d) **Payment**. Following the end of the vesting period for an Incentive Award (or at such other time as the applicable Grant Document may provide), the Holder of an Incentive Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Incentive Award, based on the then vested value of the Award. Payment of an Incentive Award may be made in cash, Common Stock (valued at the Market Value per Share), or a combination thereof as determined by the Administrator. Payment shall be made in a lump sum, except as otherwise set forth in the applicable Grant Document. Cash dividend equivalents may be paid during or after the vesting period with respect to an Incentive Award, as determined by the Administrator.

(e) **Termination of Award**. An Incentive Award shall terminate if the Holder does not remain continuously in the employ (or in service as a Director) of the Company or a subsidiary at all times during the applicable vesting period, except as otherwise set forth in the applicable Grant Document or determined by the Administrator.

(f) **Incentive Award Grant Document**. Each grant of an Incentive Award shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Incentive Award Grant Documents need not be identical.

11. OTHER STOCK AWARDS

(a) **Other Stock Awards.** Each Other Stock Award granted to a Holder shall constitute a transfer of unrestricted shares of Common Stock on such terms and conditions as the Administrator shall determine. Other Stock Awards shall be made in shares of Common Stock and, subject to Section 5(d), need not be subject to performance criteria or objectives or to forfeiture. The purchase price, if any, for shares of Common Stock issued in connection with an Other Stock Award shall be determined by the Administrator in its sole discretion.

(b) **Other Stock Award Grant Document**. Each grant of an Other Stock Award shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Other Stock Award Grant Documents need not be identical.

12. RECAPITALIZATION, REORGANIZATION AND OTHER CHANGES

(a) **No Effect on Right or Power.** The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company or any subsidiary to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's or any subsidiary's capital structure or its business, any merger or consolidation of the Company or any subsidiary, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any subsidiary or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) **Subdivision or Consolidation of Shares; Common Stock Dividends**. The shares with respect to which Awards may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an Award theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a Common Stock dividend on Common Stock without receipt of full consideration by the Company, the number of shares of Common Stock with respect to which such Award may thereafter be exercised or satisfied, as applicable, (i) in the event of an increase in the number of outstanding shares, shall be proportionately increased, and, if applicable, the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares, shall be proportionately reduced, and, if applicable, the purchase price per share shall be proportionately increased. Any fractional share resulting from such adjustment shall be rounded up or down to the next whole share as determined by the Administrator. Further, the Committee shall have the authority to make such further adjustments to Awards pursuant to this paragraph as necessary to avoid adverse accounting effects or to satisfy regulatory requirements.

(c) **Adjustments to Options and SARs**. If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization"), the number and class of shares of Common Stock or other property (including cash) covered by an Option or SAR theretofore granted and, if applicable, the purchase price of Common Stock or other property subject to such Option or SAR shall be adjusted so that such Option or SAR shall thereafter cover the number and class of shares of stock and other property to which the Holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the Holder had been the holder of record of the number of shares of Common Stock then covered by such Option or SAR.

If (i) the Company shall not be the surviving entity in any merger or consolidation (or survives only as a subsidiary of an entity), (ii) the Company sells, leases, or exchanges or agrees to sell, lease, or exchange all or substantially all of its assets to any other person or entity, or (iii) the Company is dissolved and liquidated (each such event is referred to herein as a "Corporate Change"), then, the Committee, acting in its sole discretion without the consent or approval of any Holder, shall effect one or more of the following alternatives in an equitable and appropriate manner to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, which alternatives may vary among individual Holders and which may vary among Options or SARs held by any individual Holder:

(1) accelerate the time at which Options or SARs then outstanding may be exercised so that such Awards may be exercised in full for a limited

period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such unexercised Awards and all rights of Holders thereunder shall terminate,

(2) require the mandatory surrender to the Company by all or selected Holders of some or all of the outstanding Options or SARs held by such Holders (irrespective of whether such Awards are then exercisable under the provisions of the Plan) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Company shall thereupon cancel such Awards and shall pay (or cause to be paid) to each Holder an amount of cash per share equal to the excess, if any, of the Corporate Change Value (as defined below) of the shares subject to such Awards over the exercise price(s) under such Awards for such shares, or

(3) make such adjustments to Options or SARs then outstanding as the Committee deems appropriate to reflect such Corporate Change and to prevent the dilution or enlargement of rights (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to such Awards then outstanding), including, without limitation, adjusting such an Award to provide that the number and class of shares of Common Stock covered by such Award shall be adjusted so that such Award shall thereafter cover securities of the surviving or acquiring corporation or other property (including, without limitation, cash) as determined by the Committee in its sole discretion.

For the purposes of this Section 12(c), the "Corporate Change Value" shall equal the amount determined in clause (A) or (B), whichever is applicable, as follows: (A) the per share price offered to stockholders of the Company in any such merger, consolidation, sale of assets or dissolution transaction, or (B) if a Corporate Change occurs other than pursuant to an offer to stockholders, the fair market value per share of the shares into which such Options or SARs being surrendered are exercisable, as determined by the Committee as of the date determined by the Committee (in accordance with section 409A of the Code to the extent applicable) to be the date of cancellation and surrender of such Awards. In the event that the consideration in any transaction described in this Section 12(c) above consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(d) **Other Changes in Common Stock and Company Transactions.** In the event of changes in the outstanding Common Stock or corporate transactions involving the Company, including, but not limited to, recapitalizations, reorganizations, mergers, consolidations, combinations, split-ups, split-offs, spin-offs, stock splits, exchanges, liquidations, issuances of rights or warrants, or other relevant changes in capitalization or distributions (other than ordinary dividends) to the holders of Common Stock occurring after the date of the grant of any Award, and not otherwise provided for in this Section 12 with respect to such Award, then such Award and the related Grant Document shall be subject to adjustment by the Committee at its sole discretion in a timely, equitable and appropriate manner to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under such Award (including, without limitation, adjustments as to the number and price of shares of Common Stock or other consideration subject to such Award). In the event of any such change in the outstanding Common Stock, corporate transaction or distribution to the holders of Common Stock, or upon the occurrence of any other event described in this Section 12, the aggregate maximum number of shares available under the Plan, the aggregate maximum number of shares that may be issued under the Plan through Incentive Stock Options, the kind of shares that may be delivered under the Plan and the provisions of Section 5(a) imposing limits on the numbers of shares of Common Stock covered by Awards granted or issued under the Plan shall be adjusted appropriately by the Committee. Adjustments to Awards pursuant to this paragraph may include, but shall not be limited to, (i) adjustments to the number and kind of shares subject to outstanding Awards, (ii) adjustments of the purchase price or exercise price, if applicable, of outstanding Awards, (iii) replacement of Awards with other Awards that the Committee determines have comparable value and which are based on stock of a company resulting from the transaction, and (iv) cancellation of an Award in return for a payment of cash, property or a combination thereof having an aggregate value equal to the current value of the Award (as determined by the Committee). Notwithstanding the foregoing, (x) adjustments pursuant to this Section 12 shall be subject to any required stockholder action and (y) to the extent required by section 409A of the Code, no adjustment shall be made in a manner that would give rise to an impermissible acceleration of the time or form of a payment of a benefit under the Plan pursuant to section 409A(a)(3) of the Code and any regulations or guidance issued thereunder.

(e) **Change in Control.** As used in the Plan (except as otherwise provided in an applicable Grant Document), the term "Change in Control" shall mean:

(aa) any person (within the meaning of Section 13(d) or 14(d) under the Exchange Act, including any group (within the meaning of Section 13(d)(3) under the Exchange Act), a "Person") is or becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company (such Person being referred to as an "Acquiring Person") representing 25% or more of the combined voting power of the Company's outstanding securities; *other than beneficial ownership by* (i) the Company or any subsidiary of the Company, or (ii) any employee benefit plan of the Company or any Person organized, appointed or established pursuant to the terms of any such employee benefit plan (unless such plan or Person is a party to or is utilized in connection with a transaction led by Outside Persons (as defined below)), or (iii) a Person who files a Schedule 13G with the Securities and Exchange Commission pursuant to the requirements of Rule 13d-1 under the Exchange Act, with respect to its holdings of the Company's voting securities ("Schedule 13G"), if and for so long as such Person is and remains eligible to file a Schedule 13G with respect to its holdings of the Company's voting securities. (Persons referred to in clauses (i) through (iii) hereof are hereinafter referred to as "Excluded Persons"); or

(bb) individuals who constituted the Board as of December 1, 2009 (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director on or after December 1, 2009 whose appointment to fill a vacancy or to fill a new Board position or whose nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; or

(cc) the Company merges with or consolidates into or engages in a reorganization or similar transaction with another entity pursuant to a transaction in which the Company is not the "Controlling Corporation" (as defined below); or

(dd) the Company sells or otherwise disposes of all or substantially all of its assets, other than to Excluded Persons.

For purposes of clause (aa) above, the term "Outside Persons" means any Persons other than (I) Persons described in clauses (aa)(i) or (iii) above (as to Persons described in clause (aa)(iii) above, while they are Excluded Persons) and (II) members of senior management of the Company in office immediately prior to the time the Acquiring Person acquires the beneficial ownership described in clause (aa).

For purposes of clause (cc) above, the Company shall be considered to be the "Controlling Corporation" in any merger, consolidation, reorganization or similar transaction unless either (1) the stockholders of the Company immediately prior to the consummation of the transaction (the "Old Stockholders") would not, immediately after such consummation, beneficially own, directly or indirectly, securities of the resulting or acquiring entity entitled to elect a majority of the members of the Board of Directors or other governing body of the resulting entity or (2) those persons who were Directors of the Company immediately prior to the consummation of the proposed transaction would not, immediately after such consummation, constitute a majority of the directors of the resulting entity, provided that (I) there shall be excluded from the determination of the voting power of the Old Stockholders securities in the resulting entity beneficially owned, directly or indirectly, by the other party to the transaction and any such securities beneficially owned, directly or indirectly, by any Person acting in concert with the other party to the transaction, (II) there shall be excluded from the determination of the voting power of the Old Stockholders securities in the resulting entity acquired in any such transaction other than as a result of the beneficial ownership of Company securities prior to the transaction and (III) persons who are directors of the resulting entity shall be deemed not to have been Directors of the Company immediately prior to the consummation of the transaction if they were elected as Directors of the Company within 90 days prior to the consummation of the transaction.

13. AMENDMENT AND TERMINATION

(a) **The Plan.** Subject to the last sentence of Section 3 hereof, the Board in its discretion may terminate the Plan at any time with respect to any shares of Common Stock for which Awards have not theretofore been granted. Subject to Section 13(c) hereof, the Board shall have the right to amend the Plan or any part thereof from time to time, and the Administrator may amend any Award (and its related Grant Document) at any time, except as otherwise specifically provided in such Grant Document; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder thereof without the consent of such Holder, and provided further that the Board may not, without approval of the stockholders of the Company, amend the Plan to (i) increase the maximum aggregate number of shares that may be issued under the Plan, (ii) increase the maximum aggregate number of shares that may be issued under the Plan pursuant to Incentive Stock Options, (iii) change the class of individuals eligible to receive Awards under the Plan, or (iv) amend or delete Section 7(i). Notwithstanding the foregoing, prior to the date of stockholder approval of the Plan at the Company's 2010 annual stockholder meeting, the Board may authorize the Committee to amend the Plan or any part thereof, including but not limited to the provisions referenced in clauses (i) thru (iv) above.

(b) **Grant Documents.** Subject to the consent of the Holder and the restrictions set forth in the Plan, the Administrator may, in its sole discretion, amend an outstanding Grant Document from time to time in any manner that is not inconsistent with the provisions of the Plan.

(c) **Stockholder Approval Requirements.** To the extent stockholder approval of an amendment to the Plan is necessary to satisfy (i) the requirements of Rule 16b-3 or (ii) any securities exchange listing requirements of the New York Stock Exchange or other securities exchange on which the Common Stock is then listed, no such amendment shall be effective unless and until so approved by the stockholders of the Company.

14. MISCELLANEOUS

(a) **No Right to an Award.** Neither the adoption of the Plan nor any action of the Board or the Administrator shall be deemed to give an employee or Director any right to be granted an Award except as may be evidenced by a Grant Document from the Company reflecting a grant by the Company of an Award to such person and setting forth the terms and conditions thereof. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Award.

(b) **No Employment or Membership Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee any right with respect to continuation of employment with the Company or any subsidiary or (ii) interfere in any way with the right of the Company or any subsidiary to terminate his or her employment at any time. Nothing contained in the Plan shall confer upon any Director any right with respect to continuation of membership on the Board. For purposes of the Plan, except as otherwise determined by the Administrator, an employee shall be considered to be in the employment of the Company as long as the employee remains an employee of (1) the Company, (2) a parent corporation with respect to the Company, (3) a subsidiary, or (4) a corporation or a parent or subsidiary of such corporation assuming or substituting a new award for an Award granted under the Plan. Without limiting the scope of the preceding sentence and except as otherwise determined by the Administrator, an employee shall be considered to have terminated employment with the Company at the time of the termination of the "subsidiary" status under the Plan of the entity or other organization that employs such employee. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Administrator and its determination shall be final.

(c) **Compliance with Laws.** The grant of Awards and the issuance of Common Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state, local and foreign law with respect to such securities and the requirements of any stock exchange upon which the Common Stock may then be listed. The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan at any time when the shares covered by such Award have not been registered under the Securities Act of 1933, as amended, and such other state and federal laws, rules, and regulations as the Company or the Administrator deems applicable or, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules, and regulations available for the issuance and sale of such shares. The Administrator shall have the right to suspend the right of any Holder to exercise an Option during any period in which the Administrator deems such suspension to be necessary or appropriate to comply with applicable laws, rules, and regulations.

(d) **Withholding.** The Company shall have the right to (i) make deductions from any settlement or exercise of an Award made under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Award, in each case in an amount sufficient to satisfy withholding of any taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations. The Administrator may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (together with cash, as appropriate) to be used to satisfy required tax withholding based on the Market Value per Share of any such shares of Common Stock.

(e) **No Restriction on Corporate Action.** Subject to the restrictions contained in Section 13, nothing contained in the Plan shall be construed to prevent the Company or any subsidiary from taking any corporate action, whether or not such action would have an adverse effect on the Plan or any Award granted hereunder. No employee, Director, beneficiary or other person shall have any claim against the Company or any subsidiary as a result of any such action.

(f) **Restrictions on Transfer.** An Award (other than an Incentive Stock Option, which shall be subject to the transfer restrictions set forth in Section 7(c)) shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with the consent of the Administrator. In the discretion of the Administrator, a percentage (determined by the Administrator and set forth in the applicable Grant Document) of the aggregate shares of Common Stock obtained from exercises of an Option (which percentage may be satisfied out of particular exercises as determined by the Administrator and set forth in the applicable Grant Document) shall not be transferable prior to the earliest to occur of (x) the termination of the relevant Option term (or such shorter period as may be determined by the Administrator and set forth in the Grant Document), (y) the Holder's retirement, death or Disability, or (z) termination of the Holder's employment with the Company and its subsidiaries.

(g) Governing Law. The Plan shall be construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof.

Exhibit 10.12(a)

Non-Employee Director
Option Grant Document

Pursuant to the
Continental Airlines, Inc. Incentive Plan 2010 (the "Plan")

If the Holder accepts this Option, the Holder agrees to be bound by all of the terms, provisions, conditions and limitations of the Plan and this Option Grant Document.

In addition to any electronic confirmation and/or acceptance procedures established for this Option Grant Document, any exercise of this Option shall evidence Holder's acceptance of the terms, provisions, conditions and limitations of the Plan and this Option Grant Document.

The Plan is hereby incorporated by reference into this Option Grant Document. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Plan.

1. **Grant of Option.** The Holder has been granted an Option pursuant to the terms of this Option Grant Document (and under and subject to the terms of the Plan) to purchase shares of Common Stock of the Company. The number of shares of Common Stock ("Shares") subject to this Option Grant Document and the date of grant ("Grant Date") are as set forth in the records of the Company and as communicated to the Holder by the Company directly or through the systems (which may include online systems) of a third party administrator engaged by the Company for such purpose and available for review by Holder in connection with this Option Grant Document. In the event of any conflict between any communications to the Holder by the Company, the records of any third party administrator, and the records of the Company (including the approval by the Administrator of the Company's stock option grant policy for non-employee Directors), the records of the Company shall control. The Shares, when issued to the Holder upon the exercise of the Option, shall be fully paid and nonassessable. The Option is not intended to qualify as an Incentive Stock Option. [Notwithstanding the foregoing or any other provision of this Option Grant Document, this Option is subject to approval of the Plan by the stockholders of the Company and shall terminate if the Plan is not approved by the stockholders of the Company at the Company's 2010 annual meeting of stockholders.]

2. **Option Term**. Subject to earlier termination as provided herein, the Option shall terminate on the tenth anniversary of the Grant Date. The period during which the Option is in effect is referred to as the "Option Period."

3. **Option Price**. The grant price or exercise price (the "Option Price") of the Shares subject to the Option shall be equal to the Market Value per Share on the Grant Date.

4. **Vesting**. [for options awarded prior to stockholder approval: The total number of Shares subject to this Option shall vest immediately upon the later of (i) the Grant Date and (ii) the date that the Plan is approved by the stockholders of the Company.] [for options awarded after stockholder approval: The total number of Shares subject to this Option shall vest immediately upon the Grant Date.] The vested Shares that may be acquired under the Option may be purchased at any time after they become vested, in whole or in part, during the Option Period.

5. **Method of Exercise and Payment**. The Option or a portion thereof may be exercised by delivery of an irrevocable notice to the Company (or, if applicable, to a third party administrator engaged by the Company to perform services for the Company with respect to the Plan) stating the number of Shares with respect to which the Option is being exercised together with payment for such Shares. Payment shall be made (i) in cash or by check acceptable to the Company, (ii) in nonforfeitable, unrestricted shares of the Company's Common Stock owned by Holder at the time of exercise of the Option having an aggregate market value (measured by the Market Value per Share) at the date of exercise equal to the aggregate exercise price of the Option being exercised or (iii) by a combination of (i) and (ii). In addition, at the request of Holder, and to the extent permitted by applicable law and subject to Paragraph 13, the Option may be exercised pursuant to a "cashless exercise" arrangement with any brokerage firm approved by the Administrator or its delegate under which arrangement such brokerage firm, on behalf of Holder, shall pay to the Company the exercise price of the Options being exercised, and the Company, pursuant to an irrevocable notice from Holder, shall promptly after receipt of the exercise price deliver the shares being purchased to such firm. Holder acknowledges and agrees that the Company may provide personal information about Holder and information concerning the Option or any other Award under the Plan to any third party engaged by the Company to provide administrative or brokerage services relating to the Plan.

6. **Termination of Board Service**. The Option shall terminate on, and may not be exercised after the earlier of (i) the date that is one year after termination of Holder's service on the Board for any reason and (ii) the expiration of the Option Period.

7. **No Rights in Shares**. Holder shall have no rights as a stockholder in respect of Shares until such Holder becomes the holder of record of such Shares.

8. **Certain Restrictions**. By exercising the Option, Holder agrees that if at the time of such exercise the sale of Shares issued hereunder is not covered by an effective registration statement filed under the Securities Act of 1933 ("Act"), Holder will acquire the Shares for Holder's own account and without a view to resale or distribution in violation of the Act or any other securities law, and upon any such acquisition Holder will enter into such written representations, warranties and agreements as Company may reasonably request in order to comply with the Act or any other securities law or with this Option Grant Document.

9. **Shares Reserved**. Company shall at all times during the Option Period reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Option.

10. **Nontransferability of Option**. The Option granted pursuant to this Option Grant Document is not transferable other than by will, the laws of descent and distribution or by qualified domestic relations order. The Option will be exercisable during Holder's lifetime only by Holder or by Holder's guardian or Personal Representative. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Holder.

11. **Amendment and Termination; Electronic Procedures**. No amendment or termination of the Option shall be made by the Board or the Administrator at any time without the written consent of Holder. No amendment or termination of the Plan will adversely affect the rights, privileges and

option of Holder under the Option without the written consent of Holder. Holder hereby consents and agrees to electronic delivery of any Plan documents, proxy materials, annual reports and other related documents. Holder consents to electronic delivery, review, confirmation and acceptance procedures with respect to this Option Grant Document and the Option. Holder agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature. Holder consents and agrees that any such electronic procedures may be effected by a third party engaged by the Company to provide administrative services related to the Plan, including any program adopted under the Plan.

12. **No Guarantee of Board Service**. The Option shall not confer upon Holder any right with respect to continuance of service on the Board, nor shall it interfere in any way with any right to terminate Holder's Board service at any time.

13. **Withholding of Taxes.** Company shall have the right to (i) make deductions from any settlement or exercise of an Option granted under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Option, in each case in an amount sufficient to satisfy withholding of any taxes required by law, or (ii) take any other action as may be necessary or appropriate to satisfy any such tax withholding obligations.

14. **No Guarantee of Tax Consequences.** Neither the Company nor any subsidiary nor the Administrator makes any commitment or guarantee that any federal, state, local or foreign tax treatment will apply or be available to any person eligible for benefits under the Option.

15. **Severability.** In the event that any provision of the Option shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Option, and the Option shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

16. **Governing Law. The Plan and the Option shall be construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof.**

Exhibit 10.13

CONTINENTAL AIRLINES, INC.

ANNUAL EXECUTIVE INCENTIVE PROGRAM

1. **Purpose.** This Continental Airlines, Inc. Annual Executive Incentive Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2010 (as amended from time to time, the "Incentive Plan 2010"), and is intended to provide a method for attracting, motivating, and retaining key officers of the Company and its subsidiaries and to compensate such officers based on performance measures based upon pre-tax income of the Company and its consolidated subsidiaries as described herein. The Program and participation hereunder shall be subject to the terms of the Incentive Plan 2010, including the limitations on the maximum amount of compensation that may be paid with respect to Performance Awards (as such term is defined in the Incentive Plan 2010) as provided therein.

2. **Participants.** Each of the Chief Executive Officer, the President, each Executive Vice President and each Senior Vice President of the Company shall automatically participate in the Program with respect to each fiscal year, and, with respect to a particular fiscal year, such other officers of the Company or its subsidiaries shall participate in the Program as may be recommended to the Human Resources Committee of the Board of Directors of the Company (the "Committee") by the Chief Executive Officer of the Company and designated by the Committee to be a participant in the Program with respect to such fiscal year. Each of the foregoing persons is referred to herein as a "Participant," and the right to participate in the Program for a fiscal year or portion thereof constitutes a Performance Award under the Incentive Plan 2010. The Chief Executive Officer shall have the power to terminate any Participant's participation in the Program upon written notice to such Participant of such termination, subject to ratification of such action by the Committee.

3. **Definitions.** Where the following words and phrases are used in the Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

(a) "Annual Incentive Payment" with respect to a Participant for a fiscal year shall be equal to the dollar amount calculated by multiplying such Participant's Base Salary with respect to such fiscal year by: (1) zero percent (0%), if the Pre-tax Income with respect to such fiscal year is less than the Entry Level Pre-tax Income with respect to such fiscal year, or (2) fifty percent (50%) if the Pre-tax Income with respect to such fiscal year is at least equal to the Entry Level Pre-tax Income with respect to such fiscal year, and (if the Pre-tax Income with respect to such fiscal year exceeds the Entry Level Pre-tax Income with respect to such fiscal year) an additional Target Incentive Percentage (or prorated portion thereof) for each million dollars (or portion thereof) that the Pre-tax Income with respect to such fiscal year exceeds the Entry Level Pre-tax Income with respect to such fiscal year, up to and including the Target Level Pre-tax Income with respect to such fiscal year, and (if the Pre-tax Income with respect to such fiscal year exceeds the Target Level Pre-tax Income with respect to such fiscal year) an additional Stretch Incentive Percentage (or prorated portion thereof) for each million dollars (or portion thereof) that the Pre-tax Income with respect to such fiscal year exceeds the Target Level Pre-tax Income with respect to such fiscal year, up to and including the Stretch Level Pre-tax Income with respect to such fiscal year.

(b) "Base Salary" with respect to a fiscal year means the Participant's base annual salary with respect to such fiscal year payable by the Company or a consolidated subsidiary, as in effect on the last day of such fiscal year (or as in effect on such other date as may be specified in the Program).

(c) "Cash Hurdle" means, with respect to a fiscal year, that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such fiscal year, as reflected on the regularly prepared and publicly available consolidated balance sheet of the Company prepared in accordance with applicable accounting rules, is equal to or greater than the dollar amount established by the Committee as the Cash Hurdle with respect to such fiscal year as provided in Section 5 hereof.

(d) "Change in Control" means a "Change in Control" as defined in the Incentive Plan 2010 as in effect on the date the Incentive Plan 2010 is approved by the stockholders of the Company.

(e) "Entry Level Pre-tax Income" with respect to a fiscal year means the amount established by the Committee as the Entry Level Pre-tax Income with respect to such fiscal year pursuant to Section 5 hereof.

(f) "Pre-tax Income" means, with respect to each fiscal year, the consolidated income before taxes but after minority interest (as computed using net income (loss) before taxes) of the Company for such fiscal year as shown on the Company's consolidated financial statements for such fiscal year, but calculated excluding any special, unusual or non-recurring items as determined by the Committee in accordance with applicable accounting rules.

(g) "Stretch Incentive Percentage" with respect to a fiscal year means that percentage established by the Committee as the Stretch Incentive Percentage with respect to such fiscal year pursuant to Section 5 hereof.

(h) "Stretch Level Pre-tax Income" with respect to a fiscal year means the amount established by the Committee as the Stretch Level Pre-tax Income with respect to such fiscal year pursuant to Section 5 hereof.

(i) "Target Incentive Percentage" with respect to a fiscal year means that percentage established by the Committee as the Target Incentive Percentage with respect to such fiscal year pursuant to Section 5 hereof.

(j) "Target Level Pre-tax Income" with respect to a fiscal year means the amount established by the Committee as the Target Level Pre-tax Income with respect to such fiscal year pursuant to Section 5 hereof.

4. **Annual Incentive Payments.** Each Participant in the Program who has remained continuously employed by the Company or a subsidiary during an entire fiscal year covered by the Program shall receive, as soon as reasonably practicable after the certification by the Committee described in Section 5 below with respect to such fiscal year (but in no event later than the 15th day of the third month following the end of such fiscal year), a cash payment with respect to such fiscal year equal to the Annual Incentive Payment, if any, for such Participant with respect to such fiscal year; provided that the Cash Hurdle for such fiscal year has been achieved (and if such Cash Hurdle has not been achieved, then no Annual Incentive Payment shall be payable with respect to such fiscal year). If a person becomes a Participant after the first day of a fiscal year, then (a) such Participant's Annual Incentive Payment, if any, with respect to such fiscal year shall be pro-rated based on a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such fiscal year and ending on the last day of such fiscal year, and the denominator of which is 365, and (b) the continuous employment requirement set forth in the first sentence of this Section 4 for the fiscal year in which such Participant begins participation in the Program shall apply only to that portion of such fiscal year beginning on the date of such Participant's commencement of participation (rather than the entire fiscal year).

5. **Administration.** The Program will be administered by the Committee, which at all times will consist of not less than two persons, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The action of a majority of the members of the Committee will be the act of the Committee. The Committee shall, within 90 days after the beginning of each fiscal year of the Company beginning on or after January 1, 2010, establish in writing the Entry Level Pre-tax Income, the Target Level Pre-tax Income, the Stretch Level Pre-tax Income, the Target Incentive Percentage, the Stretch Incentive Percentage, and the Cash Hurdle for such fiscal year for purposes of the Program, in each case subject to adjustment as determined by the Committee in its discretion as a result of changes in accounting principles and other significant extraordinary items or events; provided that in respect of any Award intended to qualify as performance-based compensation within the meaning of section 162(m) of the Code, such adjustments may only be made if and to the extent permitted by section 162(m) of the Code.

The interpretation and construction by the Committee of any provision of the Program, and any determination or action by the Committee pursuant to any provision hereof, will be final and conclusive for all purposes, and each Participant's participation in the Program is expressly subject to the foregoing. No member of the Committee shall be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to the Committee by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters such member reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Committee, then the dispute will be limited to whether the Committee has satisfied its duty to make such decision or determination or take such action in good faith.

As soon as is reasonably practical after the end of each fiscal year during which the Program is effective (but in no event later than the time which will permit the Company to pay any required Annual Incentive Payment for such fiscal year within the time period prescribed in Section 4 above), the Committee shall certify in writing (including by electronic mail transmission), prior to the payment of any Annual Incentive Payment with respect to such fiscal year, whether the performance goals set forth herein have been met and whether any other material terms relating to the payment of such Annual Incentive Payment have been satisfied, to the extent required by section 162(m) of the Code. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification.

6. **Payments upon a Change in Control.** If a Change in Control occurs and on the date thereof or thereafter during the year in which such Change in Control occurs (a "Change Year"), a Participant suffers a Qualifying Event (as herein defined), then such Participant shall, upon the occurrence of the Qualifying Event, receive an amount in cash from the Company equal to the maximum Annual Incentive Payment payable to such Participant with respect to such Change Year (calculated as if the Stretch Level Pre-tax Income and the Cash Hurdle had been achieved, irrespective of actual results, and based on such Participant's Base Salary as in effect on the first day of such Change Year, or if higher, as in effect immediately prior to the occurrence of the Change in Control) and such Participant shall not be entitled to any additional Annual Incentive Payment with respect to such Change Year.

As used herein, the term "Qualifying Event" with respect to a Participant means (i) the termination of such Participant's participation in the Program or a reduction in such Participant's Base Salary, (ii) the assignment to such Participant by the Board of Directors or the Committee or other officers or representatives of the Company of duties materially inconsistent with the duties associated with his position as such duties are constituted as of the first day of the Change Year, (iii) a material diminution in the nature or scope of such Participant's authority, responsibilities, or title from those applicable to him as of the first day of the Change Year, (iv) the occurrence of material acts or conduct on the part of the Company or its officers or representatives which prevent such Participant from performing his duties and responsibilities as they existed on the first day of the Change Year, (v) the Company requiring such Participant to be permanently based anywhere outside a major urban center in the state (or, if applicable, foreign country, U.S. territory or other applicable sovereign entity) in which he was based as of the first day of the Change Year, or (vi) the taking of any action by the Company that would materially adversely affect the corporate amenities enjoyed by such Participant on the first day of the Change Year, except in each case if such Participant's employment with the Company and its subsidiaries is terminated (a) upon such Participant's death, (b) upon disability entitling him to benefits under the Company's group long-term disability plan, (c) for cause, which for purposes hereof shall mean (1) in the case of a Participant with an employment agreement with the Company or a subsidiary, the involuntary termination by the Company (or, if applicable, a subsidiary) of such Participant's employment under circumstances that do not require the Company (or such subsidiary) to pay to such Participant a "Termination Payment" or "Monthly Severance Amount," as such terms are defined in such Participant's employment agreement, and (2) in the case of a Participant who does not have an employment agreement with the Company or a subsidiary, the involuntary termination by the Company (or, if applicable, a subsidiary) of such Participant's employment based upon a determination by the Committee or an authorized officer of the Company (or such subsidiary) that such Participant has engaged in gross negligence or willful misconduct in the performance of, or such Participant has abused alcohol or drugs rendering him unable to perform, the material duties and services required of him in his employment, or (d) upon the voluntary resignation from employment of such Participant (other than in connection with circumstances which would permit such Participant to receive severance benefits pursuant to any contract of employment between such Participant and the Company or any of its subsidiaries).

7. **Amendments, Termination and Other Matters.** Subject to the other provisions of this Section 7, the Program may be amended from time to time or terminated by the Committee; provided that the Program may not be amended or terminated in a manner that would impair the rights of any Participant with respect to any outstanding Performance Award with respect to a fiscal year that has ended prior to such amendment or termination without the consent of such Participant, and may not be amended or terminated in contemplation of or in connection with a Change in Control, nor may any Participant's participation herein be terminated in connection with a Change in Control, unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6 of the Program (as in effect on the date of the adoption of the Program) with respect to such Change in Control shall be made in connection with any such amendment or termination.

Participation in the Program by a Participant shall terminate upon such Participant's termination of employment with the Company and its subsidiaries or as otherwise set forth herein, and no Participant shall have any right to continue to participate in the Program or have any vested right to any incentive or other payment hereunder (except as aforesaid in connection with a Change in Control and except with respect to fiscal years which have already ended prior to such amendment or termination or prior to such Participant's termination of employment with the Company and its subsidiaries).

Participation in the Program shall not confer any right of future employment. The Program is not intended to create a pension or welfare benefit plan and is intended to be exempt from application of the Employee Retirement Income Security Act of 1974, as amended. The Program is unfunded and shall not create, or be construed to create, a trust or separate fund or funds, and each Participant shall be entitled only to look to the Company for any benefit hereunder, and shall have no greater right than an unsecured creditor of the Company.

No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its subsidiaries, under or by reason of the Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

No incentive payment or Performance Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any incentive payment, Performance Award or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Incentive payments hereunder shall be payable only to the Participant (or in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to such Participant's estate). Notwithstanding the preceding provisions of this paragraph, the Committee shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2010) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. The provisions of the Program shall be binding on all successors and assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

Wherever appropriate herein, words used in the singular shall be considered to include the plural, and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Program, shall be deemed to include the feminine gender.

The Program shall be construed in accordance with the laws of the State of Texas.

8. **Tax Withholding.** The Company shall have the right to withhold from any payment hereunder all applicable federal, state, local and other taxes as required by law.

9. **Effective Date.** The Program shall be effective as of the date of its adoption by the Committee and shall be applicable to fiscal years of the Company beginning on or after January 1, 2010.

Exhibit 10.13(a)

ANNUAL INCENTIVE AWARD NOTICE
to [Name]

Pursuant to the Continental Airlines, Inc.

Annual Executive Incentive Program

Fiscal Year 20xx

This document constitutes your formal notice of an Award under the Continental Airlines, Inc. Annual Executive Incentive Program (as amended from time to time, the "Annual Incentive Program") adopted under the Continental Airlines, Inc. Incentive Plan 2010 (as amended from time to time, the "Incentive Plan 2010"). This notice evidences your right to participate in the Annual Incentive Program with respect to the period commencing on January 1, 20xx and ending on December 31, 20xx (the "Fiscal Year"), subject to the terms of the Annual Incentive Program and the Incentive Plan 2010. [The Annual Incentive Program, your participation in the Annual Incentive Program and any payment under the Annual Incentive Program are subject to, and contingent upon, approval of the Incentive Plan 2010 by the stockholders of the Company at the Company's 2010 annual meeting of stockholders.]

The Human Resources Committee of the Board of Directors of the Company (the "Committee") has established the following performance goals for the Fiscal Year: (1) Entry Level Pre-tax Income of $_______; (2) Target Level Pre-tax Income of $_______; (3) Stretch Level Pre-tax Income of $_______; and (4) a Cash Hurdle of $___ billion.

The Pre-tax Income performance goal is achieved if the Company's Pre-tax Income is equal to or greater than the Entry Level Pre-tax Income specified by the Committee. The Cash Hurdle is achieved if the Company's total unrestricted cash, cash equivalents and short-term investments as of the last day of the Fiscal Year is equal to or greater than the Cash Hurdle specified by the Committee.

If these performance goals are achieved and you remain continuously employed by the Company or its subsidiaries throughout the entire Fiscal Year, then your Annual Incentive Payment for the Fiscal Year will be equal to your base annual salary in effect on the last day of the Fiscal Year multiplied by a percentage equal to 50% plus (1) an additional ____% (or prorated portion thereof) for each million dollars (or portion thereof) by which the Company's Pre-tax Income exceeds the Entry Level Pre-tax Income, up to and including the Target Level Pre-tax Income (representing a target incentive opportunity of __%), and (2) if the Company's Pre-tax Income for the Fiscal Year exceeds the Target Level Pre-tax Income for such period, an additional ___% (or prorated portion thereof) for each million dollars (or portion thereof) by which the Company's Pre-tax Income exceeds the Target Level Pre-tax Income, up to and including the Stretch Level Pre-tax Income (representing a stretch incentive opportunity of __%).

Your Annual Incentive Payment may be prorated as provided in the Annual Incentive Program under certain circumstances. If you suffer a Qualifying Event on or after the occurrence of a Change in Control, you will receive an amount in cash equal to the Annual Incentive Payment calculated as if the Stretch Level Pre-tax Income and Cash Hurdle had been achieved for the Fiscal Year.

Capitalized terms used in this notice are defined in the Annual Incentive Program. The Annual Incentive Program and the Incentive Plan 2010 are hereby incorporated into this notice by reference. If you have any questions, or wish to obtain a copy of the Annual Incentive Program or the Incentive Plan 2010, please contact __________.

CONTINENTAL AIRLINES, INC.

By: ______________________________

[Name]

Exhibit 10.14

CONTINENTAL AIRLINES, INC.

LONG TERM INCENTIVE AND RSU PROGRAM

I. PURPOSE OF PROGRAM

1.1 Purpose. This Continental Airlines, Inc. Long Term Incentive and RSU Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2010 (as amended from time to time, the "Incentive Plan 2010"), and is intended to provide a method for attracting, motivating, and retaining key employees to assist in the development and growth of the Company and its Subsidiaries. The Program and Awards hereunder shall be subject to the terms of the Incentive Plan 2010, including the limitations on the maximum amount of compensation that may be paid with respect to Performance Awards (as such term is defined in the Incentive Plan 2010) as provided therein.

II. DEFINITIONS AND CONSTRUCTION

2.1 Definitions. Where the following words and phrases are used in the Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

(a) "Administrator" means the Committee or the Chief Executive Officer of the Company (if the Chief Executive Officer is a director of the Company), subject to the provisions of Section 3.1.

(b) "Award" means, with respect to each Participant for a Performance Period, such Participant's opportunity to earn a Payment Amount for such Performance Period, upon the satisfaction of the terms and conditions of the Program. Awards shall relate to an LTIP Performance Target ("LTIP Awards") or a Profit Based RSU Performance Target ("Profit Based RSU Awards"). Awards hereunder constitute Performance Awards (as such term is defined in the Incentive Plan 2010) under the Incentive Plan 2010.

(c) "Award Notice" means a written notice issued by the Company to a Participant evidencing such Participant's receipt of an Award with respect to a Performance Period.

(d) "Base Amount" means, with respect to a Participant, the sum of (i) the Participant's base annual salary payable by the Company or a Subsidiary, plus (ii) an additional amount equal to the amount described in clause (i) multiplied by the Participant's Base Amount Multiple.

(e) "Base Amount Multiple" means, with respect to a Participant who receives an LTIP Award for an LTIP Performance Period, the percentage established by the Committee as the Base Amount Multiple with respect to such Award pursuant to Section 3.1.

(f) "Basis Point" means one one-hundredth of one percent (0.01%).

(g) "Board" means the Board of Directors of the Company

(h) "Cash Hurdle" means, with respect to an LTIP Performance Period or a Profit Based RSU Performance Period, the dollar amount established by the Committee as the Cash Hurdle with respect to such Performance Period pursuant to Section 3.1, and achievement of the Cash Hurdle means (i) in the case of an LTIP Performance Period, that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Performance Period, as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with applicable accounting rules, is equal to or greater than the dollar amount established by the Committee as the Cash Hurdle for such Performance Period, and (ii) in the case of a Profit Based RSU Performance Period, that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of the Fiscal Year prior to the applicable Specified Payment Date (the "Cash Hurdle Measurement Date"), as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with applicable accounting rules, is equal to or greater than the dollar amount established by the Committee as the Cash Hurdle for such Performance Period.

(i) "Change in Control" means a "Change in Control" as defined in the Incentive Plan 2010 as in effect on the date the Incentive Plan 2010 is approved by the stockholders of the Company.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means a committee of the Board comprised solely of two or more outside directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code). Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.

(l) "Company" means Continental Airlines, Inc., a Delaware corporation.

(m) "Company Stock" means the Class B common stock, par value $0.01 per share, of the Company.

(n) "Cumulative Profit Sharing Pool" means, with respect to the last day of a Fiscal Year in a Profit Based RSU Performance Period, the aggregate amount of the Profit Sharing Pools, if any, for such Fiscal Year and for all prior Fiscal Years in such Profit Based RSU Performance Period.

(o) "Cumulative Profit Sharing Pool Target" means, with respect to a Profit Based RSU Performance Period, the dollar amount established by the Committee as the Cumulative Profit Sharing Pool Target with respect to such Performance Period pursuant to Section 3.1. The Committee may set multiple levels (including through interpolation) for the Cumulative Profit Sharing Pool Target that may apply to a single Profit Based RSU Performance Period (and each such level is referred to herein as a "Cumulative Profit Sharing Pool Target Level"), and the Payout Structure relating to the Profit Based RSU Award for such Performance Period may specify different Profit Based RSU Payment Percentages depending on the Cumulative Profit Sharing Pool Target Level achieved (including the interpolation of Profit Based RSU Payment Percentages if the Cumulative Profit Sharing Pool Target Levels include interpolated levels). Achievement of a Cumulative Profit Sharing Pool Target means that, as of the last day of a Fiscal Year in the Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool equals or exceeds a Cumulative Profit Sharing Pool Target Level that has not been so achieved as of the last day of any prior Fiscal Year in such Profit Based RSU Performance Period (and the Cumulative Profit Sharing Pool Target shall be deemed achieved for such Fiscal Year only with respect to the highest such Cumulative Profit Sharing Pool Target Level so achieved for such Fiscal Year).

(p) "Disability" or "Disabled" means, with respect to a Participant, that such Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of such Participant's employer.

(q) "EBITDAR" means, with respect to the Company and each company in the Industry Group and each LTIP Performance Period, the aggregate earnings of the Company or such company and its consolidated subsidiaries during the Performance Period, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of the Company and each company in the Industry Group prepared in accordance with applicable accounting rules (and if necessary to determine certain items, based on Form 41 data filed by the Company or such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be special, extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with applicable accounting rules. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR for an LTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.

(r) "EBITDAR Margin" means, with respect to the Company and each LTIP Performance Period, the cumulative EBITDAR for the Company for such Performance Period divided by the Company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of the Company prepared in accordance with applicable accounting rules) over such Performance Period; provided, however, that, such cumulative revenues shall be adjusted to exclude any item determined to be special, extraordinary or unusual in nature or infrequent in occurrence as determined by the Committee in accordance with applicable accounting rules.

(s) "Eligible Employee" means any individual who is a staff vice president or more senior officer of the Company or a Subsidiary.

(t) "Entry EBITDAR Margin" means, with respect to each LTIP Performance Period, the percentage determined by dividing (i) the cumulative EBITDAR of all companies in the Industry Group for such Performance Period by (ii) all such companies' cumulative revenues (determined as provided in Section 2.1(r) with respect to the Company) over such Performance Period. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's cumulative revenues for an LTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's cumulative revenues shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.

(u) "Entry Level LTIP Percentage" means, with respect to each Participant who receives an LTIP Award for an LTIP Performance Period, the percentage established by the Committee as the Entry Level LTIP Percentage for such Participant with respect to such Award pursuant to Section 3.1.

(v) "Fiscal Year" means each 12-consecutive month period commencing on January 1.

(w) "Incentive Plan 2010" means the Continental Airlines, Inc. Incentive Plan 2010, as amended from time to time.

(x) "Industry Group" means, with respect to each LTIP Performance Period, the companies determined in accordance with the provisions of Article V for such Performance Period.

(y) "LTIP Performance Period" means each three-year period commencing on the first day of a calendar year that begins on or after January 1, 2010. Notwithstanding the foregoing, no new LTIP Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.

(z) "Market Value per Share" means, as of any specified date, the simple average of the closing sales prices of Company Stock in the principal securities market in which the Company Stock is then traded over the 20 most recent consecutive Trading Days ending on the last Trading Day preceding the specified date, adjusted appropriately by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters occurring during or with respect to any relevant measurement period.

(aa) "Maximum Aggregate Payment Amount" means an amount equal to the product of (i) the Profit Based RSU Payment Percentage applicable to the highest Cumulative Profit Sharing Pool Target Level established by the Committee with respect to such Award multiplied by (ii) a dollar amount determined by the Committee in its sole discretion; provided, however, that the Committee may, in its sole discretion, determine whether or not to establish a Maximum Aggregate Payment Amount with respect to any particular RSU. The Maximum Aggregate Payment Amount, if any, with respect to an RSU subject to an outstanding Profit Based RSU Award shall be subject to appropriate adjustment by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters relating to Company Stock occurring after the date of grant of such Award.

(bb) "Participant" means an Eligible Employee who has received an Award under the Program with respect to a Performance Period pursuant to Section 4.1.

(cc) "Payment Amount" (A) with respect to LTIP Awards means, with respect to each Participant and each LTIP Performance Period for which the LTIP Performance Target is satisfied, an amount equal to (i) such Participant's Base Amount in effect as of the earlier of (1) the last day of such LTIP Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event on or after the occurrence of a Change in Control, multiplied by (ii) the Payout Percentage applicable to such Participant for such LTIP Performance Period, and (B) with respect to each Profit Based RSU Award and related Profit Based RSU Performance Period, means each amount payable pursuant to Section 6.2(b), 6.3(b) and 6.4(b). Notwithstanding the foregoing, a Payment Amount may be pro-rated as provided in the Program.

(dd) "Payout Percentage" means, with respect to each Participant for an LTIP Performance Period for which the LTIP Performance Target is satisfied, a percentage, determined as of the earlier of (i) the last day of such Performance Period, (ii) the date of such Participant's death, Disability or Retirement, or (iii) the day immediately preceding the date upon which such Participant suffers a Qualifying Event on or after the occurrence of a Change in Control, equal to such Participant's Entry Level LTIP Percentage plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) such Participant's Target Level LTIP Percentage divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) such Participant's Stretch Level LTIP Percentage divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period.

(ee) "Payout Structure" means, with respect to each Profit Based RSU Performance Period, a Profit Based RSU Payment Percentage determined by the Committee to apply to each Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Payout Structure for each Profit Based RSU Performance Period shall be established by the Committee pursuant to Section 3.1.

(ff) "Performance Period" means an LTIP Performance Period or a Profit Based RSU Performance Period, as applicable or as the context requires.

(gg) "Performance Target" means (A) with respect to an LTIP Performance Period, that (1) the Cash Hurdle with respect to such Performance Period has been achieved, and (2) the Company's EBITDAR Margin with respect to such Performance Period equals or exceeds the Entry EBITDAR Margin with respect to such Performance Period (clauses (A)(1) and (2) together, the "LTIP Performance Target"), and (B) with respect to a Profit Based RSU Performance Period, that, as of the last day of a Fiscal Year in such Performance Period, the Cumulative Profit Sharing Pool Target for such Performance Period has been achieved (clause (B), the "Profit Based RSU Performance Target").

(hh) "Profit Based RSU Payment Percentage" means, with respect to each Profit Based RSU Performance Period, the percentage of the RSUs subject to the related Profit Based RSU Award for which payments may be made under the Program upon achievement of a particular Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Profit Based RSU Payment Percentages for a Profit Based RSU Performance Period shall be determined by the Committee in connection with the Committee's determination of the Payout Structure for such Performance Period.

(ii) "Profit Based RSU Performance Period" means each period established by the Committee pursuant to Section 3.1 that consists of one or more consecutive Fiscal Years that begin on or after January 1, 2010.

(jj) "Profit Sharing Pool" means, with respect to each Fiscal Year, the "Annual Award Pool" for such Fiscal Year determined under (and based on the definition of such term set forth in) the Company's broad-based profit sharing plan (the "PSP") as in effect on the 90th day of the Profit Based RSU Performance Period that includes such Fiscal Year; provided, however, that any Minor Pool (as defined in the PSP) with respect to a Fiscal Year that ended prior to the beginning of any Profit Based RSU Performance Period shall not be included in the Profit Sharing Pool with respect to a Fiscal Year in such Performance Period.

(kk) "Program" means this Continental Airlines, Inc. Long Term Incentive and RSU Program, as amended from time to time.

(ll) "Qualifying Event" means, with respect to a Participant, the termination of such Participant's employment with the Company under circumstances which would permit such Participant to receive a Termination Payment or Monthly Severance Amount (as such terms are defined in such Participant's employment agreement), or similar payment, pursuant to any contract of employment between such Participant and the Company or any Subsidiary.

(mm) "Retirement," "Retires" or "Retired" means retirement of a Participant from employment with the Company pursuant to the provisions of the Continental Retirement Plan, as amended from time to time.

(nn) "RSUs" means the method of denominating Profit Based RSU Awards, which shall be granted in whole numbers and which are denominated in Company Stock for purposes of Incentive Plan 2010. The number of RSUs subject to an outstanding Profit Based RSU Award shall be subject to appropriate adjustment by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters relating to Company Stock occurring after the date of grant of such Award and during or with respect to the applicable Performance Period.

(oo) "Section 16" means Section 16 of the Securities Exchange Act of 1934, as amended (including any successor section to the same or similar effect).

(pp) "Specified Payment Date" means, with respect to a Profit Based RSU Performance Target that is achieved for any Profit Based RSU Performance Period as of the last day of a Fiscal Year, (i) with respect to a payment under Section 6.2(b)(i) for such Fiscal Year, the first day of the 3rd month following the end of such Fiscal Year, (ii) with respect to a payment under Section 6.2(b)(ii) for such Fiscal Year, the first day of the 15th month following the end of such Fiscal Year, and (iii) with respect to a payment under Section 6.2(b)(iii) for such Fiscal Year, the first day of the 27th month following the end of such Fiscal Year. With respect to each Fiscal Year during a Profit Based RSU Performance Period for which a Profit Based RSU Performance Target is achieved, the Specified Payment Date referred to in clause (i) of the preceding sentence is referred to herein as the "First Specified Payment Date," the Specified Payment Date referred to in clause (ii) of the preceding sentence is referred to herein as the "Second Specified Payment Date," and the Specified Payment Date referred to in clause (iii) of the preceding sentence is referred to herein as the "Third Specified Payment Date." Notwithstanding the foregoing, a Specified Payment Date may be deferred as provided in Section 6.2(b).

(qq) "Stretch EBITDAR Margin" means, with respect to an LTIP Performance Period, the percentage established by the Committee to be the Stretch EBITDAR Margin with respect to such Performance Period pursuant to Section 3.1, which shall be expressed as the Target EBITDAR Margin plus that number of Basis Points established by the Committee pursuant to Section 3.1.

(rr) "Stretch Level LTIP Percentage" means, with respect to each Participant who receives an LTIP Award for an LTIP Performance Period, the percentage established by the Committee as the Stretch Level LTIP Percentage for such Participant with respect to such Award pursuant to Section 3.1.

(ss) "Subsidiary" for purposes of participation in the Program means any entity (other than the Company) with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).

(tt) "Target EBITDAR Margin" means, with respect to an LTIP Performance Period, the percentage established by the Committee to be the Target EBITDAR Margin with respect to such Performance Period pursuant to Section 3.1, which shall be expressed as the Entry EBITDAR Margin plus that number of Basis Points established by the Committee pursuant to Section 3.1.

(uu) "Target Level LTIP Percentage" means, with respect to each Participant who receives an LTIP Award for an LTIP Performance Period, the percentage established by the Committee as the Target Level LTIP Percentage for such Participant with respect to such Award pursuant to Section 3.1.

(vv) "Trading Day" means a day during which trading in securities generally occurs in the principal securities market in which Company Stock is traded.

2.2 Number, Gender, Headings, and Periods of Time. Wherever appropriate herein, words used in the singular shall be considered to include the plural, and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Program, shall be deemed to include the feminine gender. The headings of Articles, Sections, and Paragraphs herein are included solely for convenience. If there is any conflict between such headings and the text of the Program, the text shall control. All references to Articles, Sections, and Paragraphs are to the Program unless otherwise indicated. Any reference in the Program to a period or number of days, weeks, months, or years shall mean, respectively, calendar days, calendar weeks, calendar months, or calendar years unless expressly provided otherwise.

III. ADMINISTRATION

3.1 Administration by the Administrator. The Program shall be administered by the Administrator, so that (i) Awards made to, and the administration (or interpretation of any provision) of the Program as it relates to, any person who is subject to Section 16, shall be made or effected by the Committee, and (ii) Awards made to, and the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, shall be made or effected by the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator. Notwithstanding the foregoing, the Committee may from time to time in its discretion put any conditions and restrictions on the powers that may be exercised by the Chief Executive Officer of the Company in his or her capacity as Administrator. The action of a majority of the members of the Committee will be the act of the Committee.

The Committee may from time to time in its discretion establish in writing for purposes of the Program a Profit Based RSU Performance Period that consists of one or more consecutive Fiscal Years. The Committee shall, within 90 days after the first day of each Performance Period commencing on or after January 1, 2010 (but in no event after the date required for a performance goal to be considered preestablished under section 162(m) of the Code), establish in writing for purposes of the Program: (i) for LTIP Awards, (A) the applicable Target EBITDAR Margin and Stretch EBITDAR Margin (such that at all times the Stretch EBITDAR Margin shall be higher than the Target EBITDAR Margin, which in turn shall be higher than the Entry EBITDAR Margin) and the Cash Hurdle for each such Performance Period and (B) the Base Amount Multiple, Entry Level LTIP Percentage, Target Level LTIP Percentage and Stretch Level LTIP Percentage for each Participant with respect to such Performance Period, and (ii) for Profit Based RSU Awards, the Cash Hurdle, the Cumulative Profit Sharing Pool Target Levels (including the Cumulative Profit Sharing Pool Target Level that shall apply for purposes of Section 6.4(b)), the related Payout Structure for such Performance Period and the Maximum Aggregate Payment Amount, if any, applicable to the RSUs subject to such Award. The targets and other amounts established by the Committee pursuant to the preceding sentence shall in each case be subject to adjustment as determined by the Committee in its discretion as a result of changes in accounting principles and other significant extraordinary items or events; provided that in respect of any Award intended to qualify as performance-based compensation within the meaning of section 162(m) of the Code, such adjustments may only be made if and to the extent permitted by section 162(m) of the Code.

3.2 Powers of the Administrator. The Administrator shall supervise the administration and enforcement of the Program according to the terms and provisions hereof and shall have the sole discretionary authority and all of the powers necessary to accomplish these purposes. The Administrator (which shall be limited solely to the Committee with respect to clauses (e), (f), (g), (h), (i) and (j) below and as described in clause (c) below) shall have all of the powers specified for it under the Program, including, without limitation, the power, right, or authority: (a) to designate an Eligible Employee as a Participant with respect to a Performance Period at any time prior to the last day of such period, (b) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program or the Incentive Plan 2010, and any such rules and procedures shall be effective as if included in the Program, (c) to construe in its discretion all terms, provisions, conditions and limitations of the Program and any Award, and to determine the number of RSUs subject to a Profit Based RSU Award to a Participant (which determination with respect to any person who is subject to Section 16 shall be made only by the Committee), (d) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program in such manner and to such extent as the Administrator shall deem appropriate, (e) to determine the Target EBITDAR Margin, the Stretch EBITDAR

Margin, the Cumulative Profit Sharing Pool Target Levels and the Participant Base Amount Multiples, Entry Level LTIP Percentages, Target Level LTIP Percentages and Stretch Level LTIP Percentages with respect to each relevant Performance Period, (f) to determine the Cash Hurdle for each relevant Performance Period, (g) to determine the Payout Structure and the Maximum Aggregate Payment Amount, if any, for each Profit Based RSU Award, (h) to make determinations as to whether the Performance Targets for the various Performance Periods were satisfied, (i) to make determinations as to whether the Cash Hurdles for the various Profit Based RSU Performance Periods were satisfied, (j) to certify in writing, prior to the payment of any amount under the Program with respect to a Performance Period, whether the Performance Targets relating to such Performance Period and any other material terms of the Program have in fact been satisfied, and (k) to make all other determinations necessary or advisable for the administration of the Program. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Award or Award Notice in the manner and to the extent it shall deem expedient to carry it into effect.

3.3 __Administrator Decisions Conclusive; Standard of Care__. The Administrator shall, in its sole discretion exercised in good faith (which, for purposes of this Section 3.3, shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Program. All such decisions, determinations, and actions by the Administrator shall be final, binding, and conclusive upon all persons. However, in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer of the Company, each acting in its or his capacity as Administrator of the Plan, the determination of the Committee shall be conclusive. The Administrator shall not be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to the Administrator by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters the Administrator reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Administrator, then the dispute will be limited to whether the Administrator has satisfied its duty to make such decision or determination or take such action in good faith. No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its Subsidiaries, under or by reason of the Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

IV. PARTICIPATION AND AWARD NOTICES

4.1 __Participation__. Each individual who is an Eligible Employee on the first day of a Performance Period shall automatically be a Participant and receive an Award with respect to such Performance Period, unless otherwise determined by the Administrator prior to the first day of the relevant Performance Period. LTIP Awards shall be made with respect to LTIP Performance Periods and Profit Based RSU Awards shall be made with respect to Profit Based RSU Performance Periods. Each individual who becomes an Eligible Employee after the first day of a Performance Period shall become a Participant and receive an Award with respect to such Performance Period only if such individual is selected prior to the last day of such Performance Period by the Administrator in its sole discretion for participation in the Program with respect to such Performance Period. Unless otherwise determined by the Administrator, Payment Amounts with respect to an LTIP Award for an individual who becomes a Participant with respect to such Award after the first day of the related Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3 or Section 6.4) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the last day of such Performance Period, and the denominator of which is the total number of days in such Performance Period. In addition, unless otherwise determined by the Administrator, Payment Amounts under Section 6.2(b) with respect to an individual who becomes a Participant with respect to a Profit Based RSU Performance Period after the first day of such Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the date of the applicable payment under Section 6.2(b), and the denominator of which is (except as otherwise provided in Section 6.3) the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the date of the applicable payment under Section 6.2(b).

4.2 __Award Notices__. The Company shall provide an Award Notice to each Eligible Employee who becomes a Participant with respect to a Performance Period within 90 days after such Eligible Employee becomes such a Participant. With respect to Profit Based RSU Awards to a Participant, the Administrator shall determine in each case the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to a Profit Based RSU Award shall specify (a) the Performance Period to which the Award relates, (b) the applicable Cumulative Profit Sharing Pool Target Levels and Cash Hurdle, (c) the number of RSUs subject to the Award as of the date of grant of the Award, and (d) the Payout Structure and the Maximum Aggregate Payment Amount, if any, applicable to the Award. Each Award Notice with respect to an LTIP Award shall specify (A) the Performance Period to which the Award relates, (B) the applicable Cash Hurdle, Target EBITDAR Margin and Stretch EBITDAR Margin, (C) the applicable Base Amount Multiple, and (D) the applicable Payout Percentages set forth in Section 2.1(dd) hereof with respect to the Participant applicable upon the date of grant of the Award.

V. INDUSTRY GROUP

5.1 __Initial Designation__. The Industry Group shall consist of Alaska Air Group, Inc., AMR Corporation, Delta Air Lines, Inc., Southwest Airlines Co., UAL Corporation, and US Airways Group, Inc.; provided, however, that (a) within 90 days after the first day of each LTIP Performance Period, the Committee may in its discretion add any United States certificated scheduled mainline air carrier to, or remove any such company from, the Industry Group for such Performance Period and (b) the Industry Group for each LTIP Performance Period shall be subject to adjustment as provided in Section 5.2.

5.2 __Adjustments to the Industry Group During an LTIP Performance Period__. Except as provided in clause (a) of the proviso to Section 5.1, no company shall be added to, or removed from, the Industry Group for an LTIP Performance Period during such period; provided, however, that a company shall be removed from the Industry Group for an LTIP Performance Period if (a) during such period, (i) such company ceases to maintain publicly available statements of operations prepared in accordance with applicable accounting rules, (ii) such company is not the surviving entity in any merger, consolidation, or other non-bankruptcy reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of such company), (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned subsidiary of such company), or (iv) such company is dissolved and liquidated, or (b) more than 20% of such company's revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with applicable accounting rules) for any fiscal year of such company that ends during such Performance Period are attributable to the operation of businesses other than such company's airline business and such company does not provide publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses.

VI. AWARD PAYMENTS

6.1 __Determinations and Certification by the Committee__. As soon as administratively feasible after the end of each LTIP Performance Period, and as soon as administratively feasible after the end of each Fiscal Year in a Profit Based RSU Performance Period, as the case may be, the Committee shall determine whether the applicable Performance Target for such Performance Period has been met (including, with respect to a Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool Target Level, if any, that has been achieved) and whether any other material terms relating to the payment of the related Awards have been satisfied. As soon as administratively feasible on or before each Specified Payment Date under Section 6.2(b), the Committee shall determine whether the Cash Hurdle for any Cash Hurdle Measurement Date related to such Specified Payment Date has been met. The Committee's determination as to whether the applicable Performance Target for a Performance Period, the Cash Hurdle for a Cash Hurdle Measurement Date and any other material terms relating to the payment of the related Awards have been satisfied shall be certified by the Committee in writing (including by electronic mail transmission) and delivered to the Secretary of the Company. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification. Notwithstanding the foregoing, each written certification by the Committee (including a certification by electronic email transmission) under this Section 6.1 shall be made by a date which will permit the Company to comply with the time of payment requirements of Sections 6.2 and 6.3 (after giving effect to the provisions of Section 6.7).

6.2 Eligibility for Payment of Awards. Subject to the delayed payment restrictions of Section 6.6, payments with respect to Awards shall be made as follows:

(a) LTIP Awards. Upon the Committee's written certification in accordance with Section 6.1 that the applicable LTIP Performance Target for an LTIP Performance Period and any other material terms relating to the payment of the related Awards have been satisfied, each Participant who has received an Award with respect to the relevant Performance Period for which the related Performance Target and other material terms have been satisfied, who has remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period and who has not surrendered such Award to the Company shall be entitled to the Payment Amount applicable to such Participant's Award for such Performance Period. Except as provided in Section 6.3(a) and Section 6.4(a), if a Participant's employment with the Company terminates for any reason whatsoever prior to the last day of an LTIP Performance Period, then such Participant shall not be entitled to receive any payment under the Program with respect to his or her Award for such Performance Period, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company. Payment of the amount to which a Participant becomes entitled pursuant to this Section 6.2(a) shall be made by the Company on or before the 15th day of the third calendar month following the end of the applicable Performance Period.

(b) Profit Based RSU Awards. If the Committee certifies in writing in accordance with Section 6.1 that a Profit Based RSU Performance Target has been achieved as of the last day of a Fiscal Year in a Profit Based RSU Performance Period, then each Participant who has received an Award with respect to such Performance Period for which the related Performance Target and other material terms (including the relevant Cash Hurdle for the Cash Hurdle Measurement Date) have been satisfied shall receive the following payments with respect to the achievement of such Performance Target as of the last day of such Fiscal Year, provided that such Participant remains continuously employed by the Company from the date he or she received such Award until the date of payment specified below:

(i) on the First Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such First Specified Payment Date;

(ii) on the Second Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Second Specified Payment Date; and

(iii) on the Third Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Third Specified Payment Date.

Notwithstanding the foregoing, if the Cash Hurdle for the relevant Profit Based RSU Performance Period has not been achieved as of an applicable Specified Payment Date set forth above and been certified by the Committee in writing in accordance with Section 6.1, then such Specified Payment Date shall be deferred and shall be deemed to occur on the next annual anniversary date of the original Specified Payment Date for which the Committee certifies in writing in accordance with Section 6.1 that such Cash Hurdle was achieved; provided, however, that if such Cash Hurdle is not so achieved on or before the first day of the 87th month following the end of the Fiscal Year to which such Specified Payment Date relates, then no payment shall be made under this Section 6.2(b) for such Specified Payment Date with respect to the related Profit Based RSU Award. Except as provided in Section 6.3(b) and Section 6.4(b), if a Participant's employment with the Company terminates for any reason whatsoever prior to a payment date specified in this Section 6.2(b), then such Participant shall not be entitled to receive any payment with respect to his or her Profit Based RSU Award for such payment date or for any subsequent payment date, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company.

Notwithstanding the preceding provisions of this Section 6.2(b) or the provisions of Sections 6.3(b) and 6.4(b), in no event shall the aggregate payments under the Program to a Participant with respect to an RSU subject to a Profit Based RSU Award exceed an amount equal to the Maximum Aggregate Payment Amount, if any, applicable to such RSU. To the extent that any payment provided under the Program with respect to an RSU (determined without regard to the limitation described in the preceding sentence) would, together with all prior payments made with respect to such RSU, exceed the limitation described in the preceding sentence, then such excess shall not be paid under the Program and the holder of such RSU shall have no rights or entitlements to any such excess amount.

6.3 Death, Disability or Retirement.

(a) LTIP Awards. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during an LTIP Performance Period with respect to which a Participant has received an Award, such Participant dies or becomes Disabled or Retires, then as to such Participant only (i) the Administrator, with respect to each LTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine (based on publicly available data with respect to each LTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date) the Company's EBITDAR Margin and the Entry EBITDAR Margin through the most recent practicable date and the Company's cash flow through the most recent practicable date, and the Company's resulting cash, cash equivalents and short term investments, excluding restricted cash, cash equivalents and short term investments at the most recent practicable date, and shall determine, based on such data and publicly available data with respect to the companies contained in the Industry Group (and, if deemed appropriate by the Administrator, annualizing or otherwise making assumptions with respect to any relevant data), whether the Company has achieved the relevant LTIP Performance Target through such most recent practicable date (and if so, the LTIP Performance Target shall be deemed to have been met, as to such Participant only), and (ii) the provisions of Sections 6.1 and 6.2(a) shall cease to apply with respect to each such Performance Period. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, with respect to each LTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date with respect to which the LTIP Performance Target has been satisfied in the manner described in clause (i) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (A) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (i) of the foregoing sentence (but in no event later than March 15 of the calendar year following the calendar year in which occurred the Participant's death, Disability or Retirement), equal to the relevant Payment Amount applicable to such Participant's LTIP Award for such LTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such LTIP Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the entire LTIP Performance Period, and (B) not be entitled to any additional payment under the Program with respect to such LTIP Performance Period.

(b) Profit Based RSU Awards. Except as provided in Section 6.4(b) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during a Profit Based RSU Performance Period with respect to which a Participant has received an Award (or after such Performance Period has ended but prior to the date such Participant has received all payments to which such Participant may have otherwise been entitled to under Section 6.2(b) if such Participant had continued to be employed by the Company), such Participant dies or becomes Disabled or Retires, then, as to such Participant only, such Participant shall receive a payment on the Applicable Specified Payment Date (as defined below) in an amount equal to the aggregate remaining individual payments (each, an "Individual Payment") that such Participant would have otherwise received with respect to such Award pursuant to the provisions of Section 6.2(b) determined as if such Participant had remained continuously employed by the Company until the applicable payment date and assuming that the Cash Hurdle applicable to each such Individual Payment was achieved at the earliest relevant time, except that:

(A) each such Individual Payment shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for the relevant Profit Based RSU Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the earliest date after the date such Participant died, became Disabled or Retired as of which payment of such Individual Payment could have been made under Section 6.2(b) (determined based upon the assumption that the Cash Hurdle applicable to such payment was satisfied); and

(B) no payments shall be made to or for the benefit of such Participant with respect to any Profit Based RSU Performance Target that is achieved with respect to a Fiscal Year that begins after the date of such Participant's death, Disability or Retirement.

For purposes of the preceding sentence, the "Applicable Specified Payment Date" means, with respect to each relevant Profit Based RSU Performance Period, the Specified Payment Date next occurring (and for which the Cash Hurdle was actually achieved) with respect to such Performance Period after the Fiscal Year in which the Participant died, became Disabled or Retired.

Notwithstanding the foregoing, except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, (1) if a Change in Control occurs after the date of such Participant's death, Disability or Retirement, then each payment to which such Participant may still be entitled to pursuant to the preceding provisions of this Section 6.3(b) as of the date of such Change in Control that has not previously been paid to such Participant shall be paid to such Participant within five business days after the date of such Change in Control, and (2) each such payment shall be determined in the manner described in such provisions, except that the amount of such payment shall be based on the Market Value per Share as of the date of such Change in Control (rather than as of the date specified in Section 6.2(b)).

6.4 Change in Control.

(a) LTIP Awards. Upon the occurrence of a Change in Control, with respect to each Participant who is employed by the Company on the day immediately preceding the date of such Change in Control, (i) the LTIP Performance Targets, including achievement of the Stretch EBITDAR Margin, for each relevant Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied, and (ii) the provisions of Sections 6.1, 6.2(a) and 6.3(a) shall cease to apply with respect to each such Performance Period.

If a Change in Control occurs during an LTIP Performance Period, then, on or before the Applicable Payment Date (as defined below) following the end of each calendar year in such LTIP Performance Period ending on or after the date of such Change in Control, each Retirement Eligible Participant (as defined below) with respect to such calendar year who has received an LTIP Award with respect to such LTIP Performance Period shall receive a payment from the Company equal to (i) the Payment Amount applicable to such Participant's LTIP Award for such LTIP Performance Period (determined as if such Participant had Retired on the last day of such calendar year) multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such LTIP Performance Period and ending on the last day of such calendar year, and the denominator of which is the number of days in the entire LTIP Performance Period, minus (ii) the aggregate payments, if any, made to such Participant pursuant to this paragraph with respect to prior calendar years. For purposes of the preceding sentence, (A) the "Applicable Payment Date" with respect to a calendar year shall mean the fifteenth day of the third calendar month following the end of such year (or, in the case of the last calendar year in an LTIP Performance Period, such term shall mean the fifth business day after the end of such year), and (B) a Participant shall be considered a "Retirement Eligible Participant" with respect to a calendar year if such Participant was eligible to Retire during such year and did not suffer a Qualifying Event, die, become Disabled or Retire during such year.

If a Change in Control occurs and on the date thereof or thereafter during an LTIP Performance Period described in the first paragraph of this Section 6.4(a) a Participant who has received an LTIP Award with respect to such LTIP Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such LTIP Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to (A) the Payment Amount applicable to such Participant's LTIP Award for such LTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such LTIP Performance Period and ending on the date such Participant died, became Disabled, Retired or suffered the Qualifying Event, and the denominator of which is the number of days in the entire LTIP Performance Period, minus (B) the aggregate payments, if any, made or payable to such Participant pursuant to the second paragraph of this Section 6.4(a) with respect to calendar years that ended prior to the date of such Participant's Qualifying Event, death, Disability or Retirement, and (ii) not be entitled to any additional payment under the Program with respect to such LTIP Performance Period (other than any unpaid amount owed to such Participant pursuant to the second paragraph of this Section 6.4(a) with respect to a calendar year that ended prior to the date of such Participant's Qualifying Event, death, Disability or Retirement).

If a Change in Control occurs and a Participant who has received an Award with respect to an LTIP Performance Period described in the first paragraph of this Section 6.4(a) did not die, become Disabled, Retire or suffer a Qualifying Event during such Performance Period and such Participant remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period, then, with respect to each such Performance Period, such Participant shall receive a payment from the Company within five business days after the last day of such Performance Period in an amount equal to (i) the Payment Amount applicable to such Participant's Award for such Performance Period, minus (ii) the aggregate payments, if any, made or payable to such Participant pursuant to the second paragraph of this Section 6.4(a) with respect to such Award.

(b) Profit Based RSU Awards. Upon the occurrence of a Change in Control, (i) the Cash Hurdle for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and for which a potential for payment under Sections 6.2(b) or 6.3(b) exists as of the date of such Change in Control shall be deemed to have been satisfied, and (ii) the Profit Based RSU Performance Targets for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied for the Fiscal Year in which the Change in Control occurs at the Cumulative Profit Sharing Pool Target Level established by the Committee for purposes of this Section 6.4(b) at the time of grant of the related Award (provided that this clause (ii) shall not be applicable with respect to any such Profit Based RSU Performance Period if such Profit Based RSU Performance Target was satisfied in a Fiscal Year that ended prior to the Fiscal Year in which such Change in Control occurs at such Cumulative Profit Sharing Pool Target Level or a higher level). Notwithstanding any provision in the Program to the contrary, upon the occurrence of a Change in Control, no Profit Based RSU Performance Target may be achieved with respect to a Fiscal Year that begins after the date of such Change in Control, and no payments shall be made to or for the benefit of any Participant with respect to any Profit Based RSU Performance Target that would have otherwise been achieved for any such Fiscal Year.

If a Change in Control occurs, then the provisions of Sections 6.2(b) and 6.3(b) shall continue to apply to the Profit Based RSU Performance Periods described in the preceding paragraph with the following modifications:

(i) certification by the Committee under Section 6.1 of the achievement of the relevant Profit Based RSU Performance Target and Cash Hurdle shall not be required;

(ii) the Payment Amount described in Section 6.2(b) as of each applicable Specified Payment Date that occurs after the date of such Change in Control shall be based on the Market Value per Share as of the date of such Change in Control (rather than the Market Value per Share as of such Specified Payment Date); and

(iii) if on or after the occurrence of such Change in Control and prior to receiving all payments pursuant to Section 6.2(b) with respect to such Profit Based RSU Performance Periods a Participant who has received a Profit Based RSU Award with respect to such Profit Based RSU Performance Periods suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then such Participant (or, in the case of death, such Participant's estate) shall (A) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the aggregate of such remaining Payment Amounts, and (B) not be entitled to any additional payment under the Program with respect to such Payment Amounts; provided, however, that if a Participant who has received a Profit Based RSU Award with respect to such Profit Based RSU Performance Periods is eligible to Retire as of the date of such Change in Control or continues in employment with the Company after such Change in Control until the date such Participant first becomes eligible to Retire, and if such Participant does not suffer a Qualifying Event, die, become Disabled or Retire prior to such Participant's Applicable Retirement Date (as defined below), then the payments described in the preceding provisions of this clause (iii) shall not be made following such Participant's Retirement as provided above, but, rather, shall be made on or before the March 15 that next follows such Participant's Applicable Retirement Date.

For purposes of clause (iii) of the preceding sentence, a Participant's "Applicable Retirement Date" is the date that is five business days before March 15 of the calendar year next following the later of (x) the calendar year in which such Change in Control occurs or (y) the calendar year in which such Participant first became eligible to Retire.

6.5 Form of Payment of Awards. All payments to be made under the Program to a Participant with respect to an Award shall be paid in a single lump sum payment in cash; provided, however, that, to the extent permitted and subject to any limitations under the Incentive Plan 2010 and applicable laws and securities exchange rules, the Committee may, in its sole discretion, direct that payment of Profit Based RSU Awards be made either (a) in shares of Company Stock, but if and only if at the time of payment the Company has an effective registration statement under the Securities Act of 1933, as amended, covering the issuance of Company Stock under the Program, or (b) in a combination of cash and/or shares of Company Stock. If the Committee elects to direct the Company to pay all or a portion of a payment due for Profit Based RSU Awards in shares of Company Stock, then the number of shares of Company Stock shall be determined by multiplying (i) one third of the number of RSUs subject to such Award that are to be so paid in Company Stock by (ii) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved with respect to the payment to be made in shares on the Specified Payment Date, rounding such number of shares down to the nearest whole share. Notwithstanding the preceding provisions of this Section 6.5, if a payment to be made under the Program to a Participant with respect to a Profit Based RSU Award is limited due to the application of the Program limitations relating to the Maximum Aggregate Payment Amount, then such payment may not be made in shares of Company Stock.

6.6 Delayed Payment Restriction. With respect to a Participant who is identified as a specified employee (within the meaning of section 409A(a)(2)(B)(i) of the Code and as determined by the Company in accordance with any of the methods permitted under the regulations issued under section 409A of the Code) and who is to receive a payment hereunder (which payment is not a "short-term deferral" for purposes of section 409A of the Code) on account of such Participant's separation from service (within the meaning of section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance thereunder, but excluding a separation from service by reason of death or Disability), the payment to such Participant shall not be made prior to the earlier of (a) the date that is six months after the Participant's termination of employment or (b) the date of death of the Participant. In such event, any payment to which the Participant would have otherwise been entitled during the first six months following the Participant's termination of employment (or, if earlier, prior to the Participant's date of death) shall be accumulated and paid in the form of a single lump sum payment to the Participant on the date that is six months after the Participant's termination of employment or to the Participant's estate on the date of the Participant's death, as applicable.

6.7 Time of Payment Obligations. Any obligation hereunder to make a payment on a specified date shall be deemed to have been satisfied in the event that such payment is made within five business days after such specified date; provided, however, that, with respect to a payment that is intended to qualify as a "short-term deferral" under section 409A of the Code, in no event shall such payment be made later than the date required in order for such payment to so qualify.

VII. TERMINATION AND AMENDMENT OF PROGRAM

7.1 Termination and Amendment. Subject to the terms of this Section 7.1, the Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program (in its entirety or as it applies to one or more specified Subsidiaries) with respect to Performance Periods that have not commenced as of the date of such Committee action; provided, however, that, (a) except as provided in the following sentence, the Program may not be amended in a manner that would impair the rights of any Participant with respect to any outstanding Award without the consent of such Participant, and (b) to the extent required by section 409A of the Code, the Program may not be amended or terminated in a manner that would give rise to an impermissible acceleration of the time or form of a payment of a benefit under the Program pursuant to section 409A(a)(3) of the Code and any regulations or guidance issued thereunder. Notwithstanding anything in the Program or an Award Notice to the contrary, if the Committee determines that the terms of the Program and/or any Award Notice do not, in whole or in part, satisfy the requirements of section 409A of the Code (or the requirements for an exemption to the application of section 409A of the Code), then the Committee, in its sole discretion, may unilaterally modify the Program and any such Award Notice in such manner as it deems appropriate to comply with such section and any regulations or guidance issued thereunder (or to qualify for an exemption to the application of such section). No Participant's participation herein may be terminated in contemplation of or in connection with a Change in Control. The Program may not be amended or terminated in contemplation of or in connection with a Change in Control unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6.4 of the Program (as in effect on the date of the adoption of the Program by the Committee) with respect to such Change in Control shall be made in connection with any such amendment or termination. The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program and the payment of any outstanding Awards hereunder, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII. MISCELLANEOUS PROVISIONS

8.1 No Effect on Employment Relationship. Except as expressly provided otherwise herein, for all purposes of the Program, a Participant shall be considered to be in the employment of the Company as long as he or she has not incurred a separation from service with the Company and its affiliates within the meaning of section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if the Participant will no longer serve as an officer of the Company) of the average level of bona fide services provided in the immediately preceding 36 months. Nothing in the adoption of the Program, the grant of Awards, or the payment of amounts under the Program shall confer on any person the right to continued employment by the Company or any Subsidiary or affect in any way the right of the Company (or a Subsidiary, if applicable) to terminate such employment at any time. Unless otherwise provided in a written employment agreement, the employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any question as to whether and when there has been a termination of a Participant's employment for purposes of the Program, and the reason for such termination, shall be determined solely by and in the discretion of the Administrator, and its determination shall be final, binding, and conclusive on all parties.

8.2 Prohibition Against Assignment or Encumbrance. No Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any Award or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to an Award shall be payable only to the Participant (or (a) in the event of a Disability that renders such Participant incapable of conducting his or her own affairs, any payment due under the Program to such Participant shall be made to his or her duly appointed legal representative and (b) in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to his or her estate). Notwithstanding the preceding provisions of this paragraph, the Administrator shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2010) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. The provisions of the Program shall be binding on all successors and permitted assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

8.3 Unfunded, Unsecured Program. The Program shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain individuals from its general assets in accordance with the Program. Each Award granted under the Program merely constitutes a mechanism for measuring such incentive compensation and does not constitute a property right or interest in the Company, any Subsidiary, or any of their assets. Neither the establishment of the Program, the granting of Awards, nor any other action taken in connection with the Program shall be deemed to create an escrow or trust fund of any kind.

8.4 No Rights of Participant. No Participant shall have any security or other interest in any assets of the Company or any Subsidiary or in Company Stock as a result of participation in the Program (except after payment thereof to the Participant). Participants and all persons claiming under Participants shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Program, an Award or an Award Notice shall be construed to give a Participant or anyone claiming under a Participant any right, title, interest, or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Subsidiary or in which the Company or any Subsidiary may have an interest now or in the future; but each Participant shall have the right to enforce any claim hereunder in the same manner as a general creditor. Neither the establishment of the Program nor participation hereunder shall create any right in any Participant to make any decision, or provide input with respect to any decision, relating to the business of the Company or any Subsidiary.

8.5 Tax Withholding. The Company and the Subsidiaries shall deduct and withhold, or cause to be withheld, from a Participant's payment, including the delivery of Company Stock, made under the Program, or from any other payment to such Participant, an amount necessary to satisfy any and all tax withholding obligations arising under applicable local, state, federal, or foreign laws associated with such payment. The Company and the Subsidiaries may take any other action as may in their opinion be necessary to satisfy all obligations for the payment and withholding of such taxes.

8.6 No Effect on Other Compensation Arrangements. Nothing contained in the Program or any Participant's Award or Award Notice shall prevent the Company or any Subsidiary from adopting or continuing in effect other or additional compensation arrangements affecting any Participant. Nothing in the Program shall be construed to affect the provisions of any other compensation plan or program maintained by the Company or any Subsidiary.

8.7 Subsidiaries. The Company may require any Subsidiary employing a Participant to assume and guarantee the Company's obligations hereunder to such Participant, either at all times or solely in the event that such Subsidiary ceases to be a Subsidiary.

8.8 Governing Law. The Program shall be construed in accordance with the laws of the State of Texas.

Exhibit 10.14(a)

PROFIT BASED RSU AWARD NOTICE
to [Name]

Pursuant to the Continental Airlines, Inc.
Long Term Incentive and RSU Program

Performance Period January 1, 20xx to December 31, 20xx

This document constitutes your formal Award Notice with respect to a Profit Based RSU Award as a Participant under the Continental Airlines, Inc. Long Term Incentive and RSU Program (as amended from time to time, the "Program") adopted under the Continental Airlines, Inc. Incentive Plan 2010 (as amended from time to time, the "Incentive Plan 2010"). This Award Notice evidences your receipt of a Profit Based RSU Award under the Program with respect to the Profit Based RSU Performance Period commencing on January 1, 20xx and ending on December 31, 20xx (the "Performance Period"), subject to the terms of the Program and the Incentive Plan 2010. [The Program, your participation in the Program and any payment under the Program are subject to, and contingent upon, approval of the Incentive Plan 2010 by the stockholders of the Company at the Company's 2010 annual meeting of stockholders.]

The Human Resources Committee of the Board of Directors of the Company (the "Committee") has established certain performance goals for purposes of Profit Based RSU Awards under the Program. The Committee has established the following terms and performance goals with respect to your Profit Based RSU Award:

(a) **Number of RSUs.** The number of RSUs subject to this Profit Based RSU Award as of the date of grant is _____.

(b) **Performance Target and Cash Hurdle.** The Performance Target applicable to this Profit Based RSU Award is satisfied when a Cumulative Profit Sharing Pool Target is achieved for a particular Fiscal Year. The Cumulative Profit Sharing Pool Target Level(s) applicable to this Profit Based RSU Award are as follows:

[Level One $__________ (*)]

[* The Committee shall establish the Cumulative Profit Sharing Pool Target Level(s) in accordance with the terms of the Program at the time of the Award.]

The Cumulative Profit Sharing Pool Target Level that shall be deemed to have been achieved upon a Change in Control for purposes of Section 6.4(b) of the Program is Level ____ for this Profit Based RSU Award.

The Cash Hurdle applicable to this Profit Based RSU Award is $___ billion.

(c) **Payout Structure.** The Payout Structure applicable to this Profit Based RSU Award is as follows:

Cumulative Profit Sharing Pool Target Level Achieved	Profit Based RSU Payment Percentage (which is the percentage of RSUs for which payments may be made)
[Level One]	[X%(**)]

[** The Committee shall determine the Profit Based RSU Payment Percentage applicable to each Cumulative Profit Sharing Pool Target Level achieved, and whether Profit Based RSU Payment Percentages will be interpolated above Level One, in accordance with the terms of the Program at the time of the Award.]

(d) **Award Payments.** Payments with respect to achieving a Performance Target will be made in three installments on the first day of the 3rd month, 15th month and 27th month following the end of the Fiscal Year in which the Performance Target was achieved, subject to achievement of the Cash Hurdle. The Payment Amount payable on such dates with respect to the achievement of a Performance Target will be equal to one third of the number of RSUs subject to this Profit Based RSU Award multiplied by the applicable Profit Based RSU Payment Percentage (determined based on the Cumulative Profit Sharing Pool Target Level achieved) multiplied by the Market Value per Share on the payment date (the average closing sales price of a share of Company Stock over the 20-consecutive Trading Days immediately preceding such payment date or, in the event of a Change in Control, immediately preceding the date of the Change in Control). [Notwithstanding the foregoing, in no event will the aggregate payments under the Program with respect to an RSU subject to this Profit Based RSU Award exceed an amount equal to $___ (the "Maximum Aggregate Payment Amount," which amount is subject to adjustment as provided in the Program).***] [*** The Maximum Aggregate Payment Amount will be included if established by the Committee in accordance with the terms of the Program at the time of the Award.] If the Company does not achieve the Cash Hurdle applicable to a payment date, the payment will be deferred to the next payment date (March 1st of the following year, subject to a limit on the number of years payments may be carried forward).Receipt of a Payment Amount is also conditioned on your continuous employment with the Company or its subsidiaries through the applicable payment date (with limited exceptions). A Payment Amount may be pro-rated as provided in the Program under certain circumstances.

(e) **General.** Capitalized terms used in this Award Notice are defined in the Program. The Program and the Incentive Plan 2010 are hereby incorporated into this Award Notice by reference. If you have any questions, or wish to obtain a copy of the Program or the Incentive Plan 2010, please contact [_________].

CONTINENTAL AIRLINES, INC.

By:

[Name]

Exhibit10.14(b)

LTIP AWARD NOTICE

to [Name]

Pursuant to the Continental Airlines, Inc.

Long Term Incentive and RSU Program

Performance Period January 1, 20xx to December 31, 20xx

This document constitutes your formal Award Notice with respect to an LTIP Award as a Participant under the Continental Airlines, Inc. Long Term Incentive and RSU Program (as amended from time to time, the "Program") adopted under the Continental Airlines, Inc. Incentive Plan 2010 (as amended from time to time, the "Incentive Plan 2010"). This Award Notice evidences your receipt of an LTIP Award under the Program with respect to the LTIP Performance Period commencing on January 1, 20xx and ending on December 31, 20xx (the "Performance Period"), subject to the terms of the Program and the Incentive Plan 2010. [The Program, your participation in the Program and any payment under the Program are subject to, and contingent upon, approval of the Incentive Plan 2010 by the stockholders of the Company at the Company's 2010 annual meeting of stockholders.]

The Human Resources Committee of the Board of Directors of the Company (the "Committee") has established certain performance goals for purposes of LTIP Awards under the Program. The performance goals with respect to the Performance Period relate to (1) the EBITDAR Margin achieved by the Company as compared to the Entry EBITDAR Margin and (2) the Company's achievement of the Cash Hurdle. EBITDAR Margin (which is more specifically defined in the Program) generally means the cumulative EBITDAR achieved for the Performance Period by the Company divided by the Company's cumulative revenues over the Performance Period. The Entry EBITDAR Margin (which is also more specifically defined in the Program) generally means the cumulative EBITDAR of all companies in the Industry Group (currently [____]) for the Performance Period divided by all such companies' cumulative revenues over such period. The Cash Hurdle is achieved if the Company's total unrestricted cash, cash equivalents and short-term investments at the end of the Performance Period is equal to or greater than a target amount set by the Committee.

The Committee has established the following performance goals for the Performance Period: (1) Target EBITDAR Margin equal to Entry EBITDAR Margin plus ___ Basis Points; (2) Stretch EBITDAR Margin equal to Target EBITDAR Margin plus ___ Basis Points; and (3) a Cash Hurdle of $___ billion.

If the Company's EBITDAR Margin is at least equal to the Entry EBITDAR Margin for the Performance Period and the Cash Hurdle is achieved, the Payment Amount with respect to this LTIP Award will be (A) your Payout Percentage <u>times</u> (B) your Base Amount.

<u>Payout Percentage</u>. Based on your position at ___________, 20xx, your Payout Percentage is equal to __% (representing the entry level payout percentage), <u>plus</u> (1) an additional __% for each Basis Point by which the Company's EBITDAR Margin with respect to the Performance Period exceeds the Entry EBITDAR Margin with respect to such period, up to and including the Target EBITDAR Margin with respect to the Performance Period (representing a target level payout percentage of __%), and (2) an additional __% for each Basis Point by which the Company's EBITDAR Margin with respect to the Performance Period exceeds the Target EBITDAR Margin with respect to such period, up to and including the Stretch EBITDAR Margin with respect to the Performance Period (representing a stretch level payout percentage of __%).

<u>Base Amount</u>. Your Base Amount is equal to your base annual salary plus a deemed bonus which, based on your position at ___________, 20xx, is ___% of your base annual salary.

The Payment Amount received with respect to this LTIP Award will be based on your Payout Percentage and Base Amount determined as of the earlier of the last day of the Performance Period, the date of your death, Disability or Retirement, or the day immediately preceding the date upon which you suffer a Qualifying Event on or after the occurrence of a Change in Control, and so may differ from the numbers set forth in this Award Notice.

Receipt of a Payment Amount is also conditioned on your continuous employment with the Company or its subsidiaries until the last day of the Performance Period (with limited exceptions, as described above). Upon the occurrence of a Change in Control, performance targets with respect to LTIP Awards under the Program are deemed satisfied at the "Stretch" performance level. A Payment Amount may be pro-rated as provided in the Program (for example, if you become a participant in the Program after January 1, 20xx, or if your employment terminates under certain circumstances prior to the last day of the Performance Period).

Capitalized terms used in this Award Notice are defined in the Program. The Program and the Incentive Plan 2010 are hereby incorporated into this Award Notice by reference. If you have any questions, or wish to obtain a copy of the Program or the Incentive Plan 2010, please contact ________.

CONTINENTAL AIRLINES, INC.

By:

[Name]

Exhibit 10.18

CONTINENTAL AIRLINES, INC.

PROFIT SHARING PLAN

(As adopted on February 17, 2010)

CONTINENTAL AIRLINES, INC.

PROFIT SHARING PLAN
(As adopted on February 17, 2010)

ARTICLE I

DEFINITIONS

As used in this Plan, the following terms with initial capital letters have the meanings set forth below, unless the context reasonably requires a broader, narrower or different meaning.

1.1 Award. "Award" means, with respect to each Year, the amount equal to the portion of the Annual Award Pool allocated to each Participant for such Year as determined under Section 6.1.

1.2 Annual Award Pool. "Annual Award Pool" means, with respect to each Year, the total amount available for allocation to Participants for such Year, as determined under Article V.

1.3 Beneficiary. "Beneficiary" means the person or persons determined in accordance with Section 7.3 to receive any unpaid portion of any Award distributable under the Plan on account of the death of a Participant.

1.4 Base Pay. "Base Pay" means, with respect to each Employee, the regular straight-time earnings or base salary, together with payments for overtime, on-time performance bonuses and commissions or sales incentives, paid with respect to such Employee by the Company or a Subsidiary, but excluding any equity based compensation, any payments under this Plan, any other bonuses and any other special payments.

1.5 Board. "Board" means the Board of Directors of the Company.

1.6 Code. "Code" means the Internal Revenue Code of 1986, as amended.

1.7 Committee. "Committee" means the committee described in Section 3.1 that is appointed by the Board to administer the Plan.

1.8 Company. "Company" means Continental Airlines, Inc., a Delaware corporation, or any successor which assumes the Plan.

1.9 Effective Date. "Effective Date" has the meaning set forth in Section 2.2.

1.10 Employee. "Employee" means any full-time or part-time employee (i) on the payroll of the Company or of any wholly owned Subsidiary, or (ii) on the payroll of any other Subsidiary if, and on such terms as, designated by the Committee or the Board. For this purpose, "on the payroll" shall mean paid by payroll check through payroll and not a check through accounts payable, without regard to any reclassification resulting from any controversy concerning the employment status of the Employee.

1.11 Employment. "Employment" means employment by the Company or a Subsidiary. In this regard, neither the transfer of a Participant from Employment by the Company to Employment by a Subsidiary nor the transfer of a Participant from Employment by a Subsidiary to Employment by the Company or another Subsidiary shall be deemed to be a termination of Employment of the Participant. Moreover, the Employment of a Participant shall not be deemed to have been terminated because of absence from active Employment on account of temporary illness or during authorized vacation or during temporary leaves of absence from active employment granted by the Company or a Subsidiary for reasons of professional advancement, education, health, government service, or during any period the Participant is on a company authorized leave of absence, family medical leave, or military leave, in each case in accordance with the Company's applicable leave policy, or during any period required to be treated as a leave of absence by virtue of any valid law or agreement.

1.12 Excluded Person. "Excluded Person" has the meaning set forth in Section 4.1.

1.13 Participant. "Participant" has the meaning set forth in Section 4.1.

1.14 Plan. "Plan" means the Continental Airlines, Inc. Profit Sharing Plan, the terms of which are set forth herein, and as the same may hereafter be amended from time to time.

1.15 Pre-tax Income. "Pre-tax Income" means, with respect to each Year, the consolidated income before taxes but after minority interest (as computed using net income (loss) before taxes) of the Company for such Year as shown on the Company's consolidated financial statements for such Year, but calculated excluding any special, unusual or non-recurring items as determined by the Committee in accordance with applicable accounting rules.

1.16 Retired. "Retired" or "Retirement" means the termination of Employment (for any reason other than involuntary termination for cause), after satisfaction of all age and service requirements for (i) either early retirement or normal retirement under the Continental Retirement Plan, as amended from time to time or (ii) satisfaction of any other requirements constituting a "retirement" with respect to a Year as approved by the Committee in its sole discretion.

1.17 Subsidiary. "Subsidiary" means (i) any wholly owned subsidiary of the Company or of any wholly owned subsidiary thereof, or (ii) any other corporation or business venture in which the Company owns, directly or indirectly, a significant financial interest, but only if, and on such terms as, the Committee designates such corporation or business venture to be a Subsidiary for the purposes of this Plan for any Year, and if the board of directors (or equivalent governing authority) of such corporation or business venture consents to being designated as a Subsidiary for purposes hereof.

1.18 Year. "Year" means the period corresponding to the fiscal year of the Company and for purposes of this Plan refers to the Year for which an Annual Award Pool has been determined to be available for allocation to Participants pursuant to the terms of the Plan.

ARTICLE II

THE PLAN

2.1 Purpose. The purpose of the Plan is to promote the growth and prosperity of the Company and each Subsidiary, to motivate Participants to achieve strategic, financial and operating objectives, to reward improvement in financial performance, and to provide a variable incentive compensation component to enhance total compensation in a manner that is competitive in the industry, thereby permitting the Company and each Subsidiary to attract and retain superior personnel at all levels of responsibility and to provide Participants with an additional incentive to contribute to the success of the Company and its Subsidiaries. The Plan provides for incentive compensation and, accordingly, is not intended to be a plan that is subject to Parts 1 through 4 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, and shall be administered accordingly.

2.2 Effective Date. The Plan shall become effective for the Year beginning January 1, 2010 (the "Effective Date").

ARTICLE III

ADMINISTRATION

3.1 Composition and Authority of Committee. The Plan shall be solely administered by a committee appointed by the Board, which Committee shall consist of at least three members. Such Committee shall be the Human Resources Committee of the Board or such other Committee as may be designated by the Board, in its sole discretion, to administer the Plan. The Board shall have the power from time to time to remove members of the Committee and to fill vacancies on the Committee arising by resignation, death, removal, or otherwise. Subject to the express provisions of the Plan, the Committee shall have full authority to make all decisions and determinations in its sole discretion and take all other actions necessary or advisable in the administration and interpretation of the Plan. All such decisions, determinations, and actions by the Committee shall be final, binding, and conclusive upon all persons.

3.2 Action by Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the Committee present at a meeting of the Committee shall decide any question brought before the meeting and shall be the act of the Committee. In addition, the Committee may act by unanimous written consent and may also take any other action otherwise proper under the Plan by an affirmative vote, taken without a meeting, of a majority of its members.

3.3 Delegation. The Committee may, in its discretion, delegate one or more of its duties to an officer or Employee of the Company or a committee composed of officers and/or Employees of the Company, but may not delegate its authority to interpret the Plan.

3.4 Reliance upon Information. Neither the Committee nor any officer or Employee of the Company (including any committee composed of officers and/or Employees of the Company to whom duties are delegated pursuant to Section 3.3) shall be liable for any decision or action taken in good faith in connection with the administration of the Plan. Without limiting the generality of the foregoing, any such decision or action taken by the Committee or any such persons in reliance upon any information supplied to it or them by any officer of the Company or any Subsidiary, the Company's or any Subsidiary's legal counsel or the Company's or any Subsidiary's independent accountants or internal audit staff in connection with the administration of the Plan shall be deemed to have been taken in good faith.

ARTICLE IV

PARTICIPATION

4.1 Participation.

(a) Subject to the other provisions of this Section 4.1, for any Year, each Employee who, as of the last day of the Year, remains in Employment (or who has Retired from Employment or died while an Employee during such Year) shall be a "Participant" with respect to such Year. Each Employee who is a member of a workgroup that is not collectively bargained as of the last day of a Year shall be a Participant in the Plan as of January 1st of such Year. Each Employee who is a member of a workgroup that is collectively bargained as of the last day of a Year shall be a Participant in the Plan with respect to such Year only if specifically provided pursuant to the terms of a ratified collective bargaining agreement between the Company (or a Subsidiary, as applicable) and the union representing such workgroup (a "CBA"), with participation to be effective solely for the period provided in the CBA. If a workgroup is represented by a union but has a CBA that has become amendable prior to or during a Year and the successor CBA has not been ratified by the last day of such Year, then Employees in that workgroup are Excluded Persons (as defined below) for such Year, unless the terms of the CBA specifically provide for participation during the amendable period. The participation of an international Employee shall be subject to the terms the CBA, if any, local work rules and legal requirements applicable to each such Employee.

(b) Notwithstanding Section 4.1(a), the following persons shall not be Participants and shall be "Excluded Persons" with respect to a Year:

(i) any Employee who participates during such Year in any officer-level or director-level annual incentive program, or any other bonus program of the Company or a Subsidiary that the Committee designates as excluding such Employee from participation under the Plan with respect to such Year; and

(ii) any Employee who is a Grade 46 or higher level Employee (which for all purposes under the Plan shall include any equivalent Employee grade level(s) used at a Company division or Subsidiary) on the last day of such Year (or who has Retired from Employment or died as a Grade 46 or higher level Employee); and

(iii) any Employee who is a member of a workgroup as of the last day of such Year that does not participate in the Plan pursuant to the provisions of Section 4.1(a) (including any Employee who has Retired or died as a member of such workgroup).

(c) Subject to Section 7.5, each Participant with respect to a Year shall be entitled to share in any Annual Award Pool for such Year in accordance with the allocation and vesting provisions set forth in Article VI. With respect to a particular Employee, the workgroup shall mean the workgroup that such Employee is principally associated with as of the last day of a particular Year (or, if earlier, upon the Employee's death or Retirement).

ARTICLE V

ANNUAL AWARD POOL

5.1 Annual Award Pool. Subject to Section 5.2, the "Annual Award Pool" for any Year shall be an amount equal to ***A*** multiplied by ***B***, where:

A equals the dollar amount of Pre-tax Income, if any, earned with respect to such Year multiplied by 15%; and

B equals a fraction, the numerator of which is the total Base Pay of all Participants for such Year and the denominator of which is the sum of (i) the total Base Pay of all Participants for such Year *plus* (ii) the total Base Pay of all Excluded Persons for such Year.

5.2 Minor Pools. Notwithstanding the provisions of Section 5.1, if the Annual Award Pool, as calculated in accordance with Section 5.1 with respect to any Year, is less than two tenths of one percent (0.2%) of the denominator used in the fraction set forth in item ***B*** of Section 5.1 (such amount being referred to as a "Minor Pool"), then, at the discretion of the Committee, the Annual Award Pool for that Year shall be deemed to be zero, and the amount of the Minor Pool (and any other prior Minor Pool amounts not yet paid out under the Plan) shall be carried forward and added to the Annual Award Pool for the following Year (or any next succeeding Year as may be necessary for the Annual Award Pool for the Year in question to exceed two tenths of one percent (0.2%) of the denominator used in the fraction set forth in item ***B*** of Section 5.1 for such Year). Any Minor Pool remaining upon the termination of the Plan and not included in a successor profit sharing plan shall revert to the Company and not be paid out.

ARTICLE VI

ALLOCATION AND VESTING OF AWARDS

6.1 Allocation of Annual Award Pool, Vesting. As soon as practicable after the close of each Year, the Company's Controller shall determine whether there is an Annual Award Pool and, if so, shall certify the Annual Award Pool for that Year and allocate such Annual Award Pool to each Participant who satisfies the requirements of Section 4.1 (and any amount not so allocated shall not be paid to Participants hereunder) in the proportion that (A) the total Base Pay of each such Participant paid with respect to such Year (subject to adjustment as described below) bears to (B) the total Base Pay for all Participants with respect to such Year. In calculating the total Base Pay of each Participant pursuant to clause (A), with respect to any Participant who is a member of a workgroup that did not participate in the Plan with respect to the full Year as set forth in Section 4.1, the total Base Pay of such Participant shall be adjusted to reflect only the portion of such Participant's Base Pay paid with respect to the period during the Year that such workgroup is eligible to participate in the Plan as provided in Section 4.1. In addition, the Award to any Participant who participates during such Year in any required profit sharing or similar arrangement with respect to the Company or any Subsidiary pursuant to the legal requirements of the country or other jurisdiction of such Participant's residence or principal place of work (a "Local Award") shall be reduced by the amount of such Local Award paid or accrued to such Participant with respect to such Year, and such amount shall be retained by the Company or Subsidiary, as applicable.

The Committee shall review the Controller's certification and allocation of the Annual Award Pool and shall approve the payment of the Annual Award Pool to the Participants. Subject to Section 7.5, amounts so approved shall be 100% vested and nonforfeitable and shall be payable in accordance with Article VII.

ARTICLE VII

DISTRIBUTIONS AND PAYMENTS

7.1 Payor of Awards. Subject to the following provisions hereof, any Award payable under the Plan with respect to a Participant for a given Year shall be the obligation of and paid by the Company or any Subsidiary, whichever may be applicable, or any successor pursuant to Section 9.2, that employed the Participant at the end of the Year with respect to which the Award was made. Adoption and maintenance of the Plan by the Company and any Subsidiary shall not create a joint venture or partnership relationship among or between such persons for purposes of payment of Awards under the Plan or for any other purpose.

7.2 Cash Payment. Subject to Section 7.5, the Award shall be paid by the Company or Subsidiary, as the case may be, to the Participant (or Beneficiary) in full in the form of a single sum payment in cash as promptly as administratively practicable following the last day of the Year to which the Award pertains; but in any event not later than two and one-half months following the last day of the Year to which the Award pertains. The Company or Subsidiary, as the case may be, shall deduct from amounts paid under this Section 7.2 any taxes required to be withheld by applicable law any other proper withholding of amounts owed by the Participant to the Company or Subsidiary.

7.3 Death of Participant. Any Award with respect to a Participant that remains unpaid, in whole or in part, at the death of the Participant shall (subject to Section 7.5 and the provisions of Section 7.2 regarding withholding of taxes) be paid in a single sum payment of cash to the Participant's Beneficiary as soon as administratively practicable following the death of the Participant (but no sooner than Awards are generally paid). Each Participant shall have the right to designate a Beneficiary to receive any amount payable under the Plan with respect to the Participant after the Participant's death. Any designation (or change in designation) of a Beneficiary must be filed with the Company in a time and manner designated by the Company in order to be effective. Any such designation of a Beneficiary may be revoked by the Participant by filing a later valid designation or an instrument of revocation with the Company in a time and manner designated by the Company. If no Beneficiary designation under the Plan is on file with the Company at the time of the death of the Participant or if such designation is not effective for any reason as determined by the Company, then the Participant's Beneficiary for purposes of the Plan shall be determined as follows:

(a) If the Participant leaves a surviving spouse, then the Participant's Beneficiary shall be such surviving spouse;

(b) If the Participant leaves no surviving spouse, then the Participant's Beneficiary shall be his or her beneficiary affirmatively designated under the Company's principal plan that provides a retirement benefit on behalf of the Participant (other than a qualified defined benefit plan or money purchase pension plan within the meaning of Section 401(a) of the Code); or

(c) If the Participant (i) leaves no surviving spouse and (ii) as of the date of his or her death, does not have an account balance under the plan referred to in clause (b) above, has no beneficiary designation on file under such plan, or his or her beneficiary designation under such plan is not effective for any reason as determined by the administrator of such plan, then the Participant's Beneficiary shall be (A) the Participant's executor or administrator for the benefit of the Participant's estate or (B) the Participant's heirs at law if there is no executor or administrator of the Participant's estate.

7.4 Nonalienation of Benefits. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same will be void. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of the person entitled to such benefits. If any Participant (or Beneficiary) hereunder shall become bankrupt or attempt to anticipate, alienate, assign, sell, pledge, encumber, or charge any right or benefit hereunder, or if any creditor shall attempt to subject the same to a writ of garnishment, attachment, execution, sequestration, or any other form of process or involuntary lien or seizure, then such right or benefit shall, in the discretion of the Committee, cease and terminate.

7.5 Forfeiture for Cause. Notwithstanding any other provision of the Plan, a Participant (and his or her Beneficiary) shall forfeit his or her Award if his or her Employment is terminated for cause or gross misconduct prior to payment of such Award. The determination of whether a termination of Employment is for cause or gross misconduct shall be made at the sole discretion of the Company or Subsidiary, as the case may be, that employed such Employee. All such determinations shall be final, binding, and conclusive upon all persons.

ARTICLE VIII

TERMINATION OR AMENDMENT OF THE PLAN

8.1 Termination or Amendment. Unless earlier terminated as provided below, the Plan shall automatically terminate at the close of business on December 31, 2014; provided that the Plan shall remain in effect thereafter to the extent necessary to permit payment of any Awards with respect to the Year 2014. The Board (or the Committee) may at any time amend, modify, revise or terminate the Plan. There are no acquired rights arising pursuant to the Plan.

8.2 Modification or Termination following Award. Subject to the provisions of Section 9.2, modification, amendment, revision or termination of the Plan shall not adversely affect rights or obligations under the Plan with respect to any Awards made prior to such modification, amendment, revision or termination, without the consent of the affected persons. Awards shall be deemed made as of the last day of a Year.

ARTICLE IX

MISCELLANEOUS

9.1 Other Compensation Plans. The adoption of the Plan shall not affect any other compensation plans in effect for the Company or any Subsidiary or affiliate of the Company except as may specifically be provided under the terms and provisions of such other plan or awards made thereunder, nor shall the Plan preclude the Company or any Subsidiary or affiliate thereof from establishing any other forms of incentive or other compensation for Employees.

9.2 Powers of the Company. The existence of outstanding and unpaid Awards under the Plan shall not affect in any way the right or power of the Company or any Subsidiary to make or authorize any adjustments, stock dividends, spin-offs or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, reorganizations or other changes in the Company's or Subsidiary's capital structure or in its business, or any merger or consolidation of the Company or any Subsidiary, or any issue of bonds, debentures, common or preferred stock, if applicable, or the dissolution or liquidation of the Company or any Subsidiary, or any sale or transfer of all or any part of its assets or business, or any other act or proceeding, whether of a similar character or otherwise.

If the Company or any Subsidiary (or any successor thereto) elects to dissolve, enter into a sale of its assets, or enter into any reorganization incident to which it is not the surviving entity, unless the surviving or successor entity shall formally agree to assume the Plan, then the Plan shall terminate with respect to the Company or any Subsidiary (or any successor thereto) on the earlier of the date of closing or the effective date, whichever may be applicable, of such transaction, and the full amount of any Awards remaining unpaid in respect of Years ended prior to such applicable date shall nevertheless be paid to each such Participant (or Beneficiary) in a single lump sum payment of cash in accordance with the terms of the Plan.

9.3 Plan Binding on Successors. The Plan shall be binding upon the successors and assigns of the Company and any Subsidiary.

9.4 No Guarantee of Employment. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Company or any Subsidiary or affiliate of the Company or to interfere with the right of the Company or any Subsidiary or affiliate of the Company to discharge any Participant or Employee at any time, including at the end of any Year, regardless of the effect which such discharge shall have upon a Participant in the Plan.

9.5 Liability of Employer. Each Participant, Beneficiary or other person who shall claim a right or benefit under this Plan shall be entitled only to look to the Participant's employer for such benefit, and no officer, director, or employee of the Company or any Subsidiary or member of the Committee or any other person shall have any liability for such benefit.

9.6 Payment of Plan Expenses. The Company and each Subsidiary will pay its pro rata share of all expenses that may arise in connection with the administration of this Plan.

9.7 Headings. Any headings or subheadings in this Plan are inserted for convenience of reference only and are to be ignored in the construction of any provisions hereof. All references in this Plan to Articles and Sections are to Articles and Sections of this Plan unless specified otherwise.

9.8 Gender and Tense. Any words herein used in the masculine shall be read and construed in the feminine where they would so apply. Words in the singular shall be read and construed as though in the plural in all cases where they would so apply.

9.9 **Governing Law.** This Plan shall be construed in accordance with the laws of the State of Texas to the extent federal law does not supersede and preempt Texas law.

9.10 **Severability.** If any provision of this Plan shall be held illegal, invalid, or unenforceable for any reason, such provision shall be fully severable, but shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never been included herein.

9.11 **No Guarantee of Tax Consequences.** None of the Company, any Subsidiary, the Committee or any officer or director makes any commitment or guarantee that any federal or state tax treatment will apply or be available to any person participating or eligible to participate in this Plan.

9.12 **Notice.** Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date which it is personally delivered, or, whether actually received or not, on the third business day after it is deposited in the United States mail, postage prepaid, addressed to the person who is to receive it at the address specified below. The Company or a Subsidiary shall be entitled to use the address of a Participant as it appears in the personnel records of the employer. Participants shall be entitled to use, as the address for the Company or a Subsidiary, the address of the Company's principal corporate office. Any person entitled to notice hereunder may waive such notice.

Exhibit 10.19

CONTINENTAL AIRLINES, INC.

Non-Employee Director Compensation Summary

Effective February 17, 2010, members of our board of directors who are not full-time employees of Continental Airlines, Inc. receive the following compensation:

- $25,000 per year, plus an additional annual fee of:
  - $40,000 for the chairperson of the Audit Committee;
  - $20,000 for the chairperson of the Corporate Governance Committee and Human Resources Committee;
  - $25,000 for members of the Audit Committee (other than the chairperson);
  - $15,000 for members of the Human Resources Committee (other than members who receive an additional fee for service as the chairperson of a committee);
  - $20,000 for the lead independent director;
- $1,400 ($2,100 for the chairperson) for each board and committee meeting physically attended (other than an Audit Committee meeting);
- $2,000 ($3,000 for the chairperson) for each Audit Committee meeting physically attended;
- $700 for each board meeting attended by telephone;
- $350 for each committee meeting attended by telephone ($500 for each Audit Committee meeting attended by telephone);
- restricted stock in an amount equal to $50,000, valued based on the closing price per share of the company's common stock on the trading date preceding the date of grant, awarded following each annual stockholders meeting and upon election to the board if the member is first elected to the board other than at an annual stockholders meeting, with the restrictions on such shares to lapse on the one year anniversary of the grant date (subject to acceleration of the vesting in limited circumstances);
- 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 (which is taxable to the director, subject to reimbursement of certain of such taxes by the company only during the period of such director's service on our board, unless such director had an existing contractual right to such reimbursements as of May 26, 2009), frequent flyer cards, airport lounge cards and airport parking where available to Continental at no incremental cost;
- limited flight benefits for the surviving spouse for ten years following a director's death; and
- $2,500 as compensation for time spent on orientation matters in connection with a director's first election to the Board of Directors or the director's appointment to a committee of the Board on which he or she has not recently served.

In addition, non-employee directors who conduct Continental business in their capacities as directors on Continental's behalf at the request of the board or the Chairman of the Board are paid (i) for telephone participation in board and committee meetings as if they were physically present, if their conducting that business makes it impractical for them to attend the meeting in person, and (ii) $3,000 per day spent outside the United States while conducting that business.

All directors, including those who are full-time employees who serve as directors, receive reimbursement of expenses incurred in attending meetings. Directors also receive travel privileges on some other airlines through arrangements entered into between Continental and such airlines.

Exhibit 10.20

[FORM LETTER FOR NON-EMPLOYEE DIRECTOR ELECTED PRIOR TO MAY 27, 2009]

February 20, 2008

[name and address of director]

RE: Continental Airlines Flight Benefits

Dear [first name],

At its November 27, 2007 meeting, the Board of Directors of Continental Airlines, Inc. (the "Company"), acting pursuant to the recommendation of the Corporate Governance Committee of the Board of Directors and resolutions duly adopted by the Board, made certain adjustments to our flight benefits program in order to comply with I.R.C. Section 409A ("409A"). This letter agreement sets forth the contractual obligations of the parties with respect to the flight benefits, as contemplated and authorized by such resolutions. This letter agreement supersedes and replaces any prior agreements between you and the Company relating to flight benefits.

Flight Benefits are provided for your lifetime subject to the terms and conditions set forth in Exhibit A attached hereto. For purposes of Exhibit A, you are referred to as "Non-Employee Director."

This letter agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of the Company by any means, whether director or indirect, by purchase, merger, consolidation, or otherwise. This letter agreement and the benefits or obligations hereunder may not be assigned by you.

If you are in agreement with the terms of this letter agreement and the terms of the flight benefits set forth on Exhibit A, please execute the attached copy hereof and return it to the Company at the above address, whereupon this letter agreement will become a binding obligation of the parties hereto.

Very truly yours,

CONTINENTAL AIRLINES, INC. ACCEPTED AND AGREED

As of the date first above written

By: ___________________________

[name] [name of director]

[title]

[FORM LETTER FOR NON-EMPLOYEE DIRECTOR ELECTED AFTER MAY 27, 2009]

[date]

[name and address of director]

RE: Continental Airlines Flight Benefits

Dear [first name],

This letter agreement sets forth the contractual obligations with respect to the flight benefits, as set forth on Exhibit A, provided by Continental Airlines, Inc. (the "Company") to you in connection with your service as a member of the Board of Directors of the Company. For purposes of Exhibit A, you are referred to as "Non-Employee Director."

This letter agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of the Company by any means, whether direct or indirect, by purchase, merger, consolidation, or otherwise. This letter agreement and the benefits or obligations hereunder may not be assigned by you.

If you are in agreement with the terms of this letter agreement and the terms of the flight benefits set forth on Exhibit A, please execute the attached copy hereof and return it to the Company at the above address, whereupon this letter agreement will become a binding obligation of the parties hereto.

Very truly yours,

CONTINENTAL AIRLINES, INC.
As of the date first above written

By: ___________________________
[name]
[title]

ACCEPTED AND AGREED

[name of director]

<u>Exhibit A</u>

Continental Airlines, Inc.
Flight Benefits Effective January 1, 2008

1. **<u>Scope; Effectiveness</u>**. Effective January 1, 2008 [Insert for Non-Employee Directors first elected after January 1, 2008: or the date of your first election to the Board, if later], Flight Benefits will be provided for your lifetime subject to the terms set forth in this Exhibit A. [Insert for Non-Employee Directors elected prior to January 1, 2008: Non-Employee Director's accrued benefits and rights with respect to the Flight Benefits under the terms of Non-Employee Director's existing agreement(s) with Company are hereby surrendered and cancelled.]

2. **<u>Definitions</u>.** As used in this Exhibit, the following terms shall have the meanings assigned below.

(i) "<u>Flight Benefits</u>" shall mean lifetime flight benefits on each airline in the CO System consisting of the following:

(a) space available flight passes, including appropriate flight pass identification cards, for Non-Employee Director and Non-Employee Director's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Non-Employee Director's name for charging (subject to the restrictions set forth in paragraph 3 below) on an annual, calendar-year basis up to the Annual Travel Limit, tickets on the CO System (in any fare class) for travel by Non-Employee Director, Non-Employee Director's spouse, Non-Employee Director's family and significant others as determined by Non-Employee Director;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Non-Employee Director's and Non-Employee Director's spouse's names;

(d) a membership for Non-Employee Director and Non-Employee Director's spouse in Company's Presidents Club (or any successor program); and

(e) payment by Company to Non-Employee Director, while Non-Employee Director serves as a member of the Board of Directors of Company [Insert for Non-Employee Directors serving on the Board prior to May 27, 2009: (and, if Non-Employee Director shall have five or more years of service on the Board of Directors of Company, or retires from the Board after age 70, for the lifetime of Non-Employee Director)], of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Non-Employee Director of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Non-Employee Director as a result of Non-Employee Director's service to Company, and any payment by Company to Non-Employee Director pursuant to this paragraph 2(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Non-Employee Director (but not later than the end of the taxable year following the year in which such tax is remitted).

(ii) "<u>affiliates</u>" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity.

(iii) "<u>Annual Travel Limit</u>" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Non-Employee Director equal to the amount of the annual grant Non-Employee Director received for 2007 [Insert for Non-Employee Directors first elected after January 1, 2008: (or, if your first election to the Board is after January 1, 2008, an amount equal to the annual grant provided to each other Non-Employee Director for such year)], which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Non-Employee Director upon request. Company will provide Non-Employee Director an annual statement specifying the Annual Travel Limit and will notify Non-Employee Director promptly of any adjustments to the Annual Travel Limit described in this paragraph. Any portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value.

(iv) "<u>Annual Gross Up Limit</u>" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Non-Employee Director in an amount equal to the amount of the annual grant Non-Employee Director received for the flight benefits program year 2007 [Insert for Non-Employee Directors first elected after January 1, 2008: (or, if your first election to the Board is after January 1, 2008, an amount equal to the annual grant provided to each other Non-Employee Director for such year)], which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Non-Employee Director upon request. Company will provide Non-Employee Director an annual statement specifying the Annual Gross Up Limit and will notify Non-Employee Director promptly of any adjustments to the Annual Gross Up Limit described in this paragraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value.

(v) "<u>CO System</u>" shall mean (a) flights operated by Company or any of its affiliates or any successor or successors thereto and (b) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Non-Employee Director and subject to clause (b), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers.

(vi) "Eligible Family Members" means, with respect to each annual benefit year, Non-Employee Director's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 2(i)(a) is taxable.

3. **Restrictions on Use; Consequences of Misuse.**

(i) Personal Use Restriction. Non-Employee Director agrees that the Flight Benefits are to be used solely for personal reasons and may not be used for business purposes (other than business on behalf of Company), and that credit availability on Non-Employee Director's UATP card may be suspended and Non-Employee Director's UATP card may be revoked or cancelled if (A) such UATP card is used for business purposes (other than business on behalf of Company) and (B) after receiving written notice from Company to cease such usage, Non-Employee Director again uses Non-Employee Director's UATP card for any business purpose (other than business on behalf of Company).

(ii) Booking and Ticketing; Accounting; Reimbursement.

(a) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Non-Employee Director or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(b) Non-Employee Director shall be responsible for all charges on Non-Employee Director's UATP card in excess of the Annual Travel Limit or that are not for flights on the CO System. Non-Employee Director agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Non-Employee Director's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Non-Employee Director under the applicable policies of Company for reimbursement of business expenses of Non-Employee Directors of Company, or that are for tickets in excess of the Annual Travel Limit or that violate the restrictions set forth in this Exhibit, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Non-Employee Director agrees that the credit availability under Non-Employee Director's UATP card may be suspended if Non-Employee Director does not timely reimburse Company as described in the foregoing sentence or if Non-Employee Director exceeds the applicable Annual Travel Limit; provided, that, immediately upon Company's receipt of Non-Employee Director's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit, beginning the next following year and after such reimbursement), the credit availability under Non-Employee Director's UATP card will be restored.

4. **Imputed Income.** The sole cost to Non-Employee Director of flights on the CO System pursuant to use of Non-Employee Director's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Non-Employee Director's UATP card, or as otherwise required by law, and reported to Non-Employee Director as required by applicable law. For purposes of tax reporting of Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data [Insert for Non-Employee Directors first elected after January 1, 2008: , the tax withholding process changes,] or as required by law.

5. **Section 409A Matters.** It is intended that the Flight Benefits program described in this Exhibit comply with the limitations and requirements of Section 409A of the Internal Revenue Code (the "Code") to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that no such interpretation, amendment or correction shall result in Non-Employee Director being treated worse than other former non-management members of the Board of Directors of Company who terminated service with flight benefits substantially equivalent to those provided upon termination of service by Non-Employee Director.

6. **Survivor Benefits.** Upon Non-Employee Director's death, in addition to the lifetime benefits provided Non-Employee Director's spouse pursuant to paragraphs 2(i)(c) and (d) of this Exhibit, Non-Employee Director's surviving spouse and children will be permitted to continue to use (in the proportions specified in Non-Employee Director's last will and testament or, if not so specified or if Non-Employee Director dies intestate, in equal proportions) Non-Employee Director's Flight Benefits as follows: an annual survivor travel limit shall be granted annually on January 1 of each calendar year during the ten calendar year period beginning January 1st of the calendar year following Non-Employee Director's death and ending on December 31st of the year of the tenth anniversary of the Non-Employee Director's death (such annual survivor benefit amount to be $10,000), which annual amount shall be adjusted upon any change in the valuation methodology used by Company for imputed income from flights for U.S. federal income tax purposes so as to preserve an annual benefit level for purchase of tickets on the CO System at least as favorable as the benefit in effect on January 1, 2008 [Insert for Non-Employee Directors first elected after January 1, 2008: (or, if your first election to the Board is after January 1, 2008, an annual benefit level at least as favorable as the benefit in effect on the date of your first election to the Board)]. In determining any adjustment pursuant to the first sentence of this paragraph, Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Non-Employee Director's surviving spouse and children upon request. Company will provide Non-Employee Director's surviving spouse and children an annual statement specifying the annual survivor benefit and any adjustments described in this paragraph. Any portion of the annual survivor benefit described in this paragraph that remains unused at the end of the calendar year for which it was awarded shall terminate and be of no further use or value. All rights, duties and obligations of Non-Employee Director, and all rights, duties and obligations of Company, relating to Non-Employee Director's usage of Flight Benefits contained in this Exhibit shall be applicable to usage of Non-Employee Director's Flight Benefits by Non-Employee Director's surviving spouse and children, and the provision of such Flight Benefits to Non-Employee Director's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Non-Employee Director's surviving spouse and children who may use such Flight Benefits.

Exhibit 10.22(bb)

Supplemental Agreement No. 53

to

Purchase Agreement No. 1951

Between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, is entered into as of December 23, 2009 by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Buyer);

WHEREAS, the parties agree to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, Customer wishes to exercise its **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Whereas, Customer previously agreed to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Whereas, in consideration of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, Customer agrees to allow Boeing to use certain aircraft for flight testing as provided under letter Agreement 6-1162-RCN-1890;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. Table of Contents, Articles, Tables, Exhibits, and Letter Agreements:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 53.

1.2 Remove and replace, in their entirety, pages T-2-2 and T-2-3 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with the revised pages T-2-2 and T-2-3 of Table 1 attached hereto.

1.3 Remove and replace, in their entirety, pages T-6-1 and T-6-2 of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-900ER Aircraft", with the revised pages T-6-1 and T-6-2 of Table 1 attached hereto, and add page T-6-3.

1.4 Remove and replace the cover page to Exhibit A-6.1 and insert new Exhibit A-6.2 after Exhibit A-6.1.

1.5 Letter Agreement no. 6-1162-RCN-1888 entitled Use of Aircraft – Boeing 747-800 and 787 Flight Test Training, is hereby incorporated into the Purchase Agreement.

1.6 Letter Agreement no. 6-1162-RCN-1890 entitled Use of Aircraft for Testing, is hereby incorporated into the Purchase Agreement.

2. Option Aircraft Deposit Refund

In consideration of Customer's Agreement to allow Boeing to use certain Aircraft for testing under Letter Agreement No. 6-1162-RCN-1890, Boeing hereby agrees to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY	CONTINENTAL AIRLINES, INC.
By: /s/ Susan Englander	By: /s/ Jacques Lapointe
Its: Attorney-in-Fact	Its: Senior Vice President – Procurement

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Supplemental Agreement No. 20	December 21, 2000
Supplemental Agreement No. 21	March 30, 2001
Supplemental Agreement No. 22	May 23, 2001
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Supplemental Agreement No. 24	August 31, 2001
Supplemental Agreement No. 25	December 31, 2001
Supplemental Agreement No. 26	March 29, 2002
Supplemental Agreement No. 27	November 6, 2002
Supplemental Agreement No. 28	April 1, 2003
Supplemental Agreement No. 29	August 19, 2003
Supplemental Agreement No. 30	November 4, 2003
Supplemental Agreement No. 31	August 20, 2004
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Supplemental Agreement No. 33	December 29, 2004
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Supplemental Agreement No. 40	December 5, 2006
Supplemental Agreement No. 41	June 1, 2007
Supplemental Agreement No. 42	June 13, 2007
Supplemental Agreement No. 43	July 18, 2007
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Supplemental Agreement No. 45	February 20, 2008
Supplemental Agreement No. 46	June 25, 2008
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Supplemental Agreement No. 49	May 1, 2009
Supplemental Agreement No. 50	July 23, 2009
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Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-700 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-900ER Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-900ER Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-900ER Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Exhibit A-6.2 to Purchase Agreement Number 1951

(737-924ER Aircraft
delivering during or after January 2011)

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

December 23, 2009

6-1162-RCN-1888

Continental Airlines, Inc.
1600 Smith Street
Houston, TX 77002

Attention: Mr. Ron Baur

Subject: Use of Aircraft – Boeing 747-800 and 787 Flight Test Training

Reference: (a) Purchase Agreement No. 1951 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 737 Aircraft

(b) Letter No. 6-1162-SEE-0225R1, dated July 23, 2009; Subject: Use of Aircraft – Carbon Brakes **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** Testing

All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

In the reference (b) Letter, Boeing and Customer agreed that one (1) Model 737-900ER Aircraft, with serial number **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, will be used by Boeing for the purpose of testing carbon brakes for use on the model 737NG Aircraft. In addition to such testing, Boeing and Customer further agree that such Aircraft will be used for certain Boeing flight test training. Such Aircraft is hereinafter referred to as the Test Aircraft and such test program is hereinafter referred to as the Test Program.

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1. Test Program

The Test Aircraft will be flown for a total of up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** flight hours in order to train Boeing personal for the flight testing of the model 747-800 and 787 aircraft.

2. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Other Terms

All other terms and conditions, including but not limited to the refurbishment of the Test Aircraft, contained in the reference (b) Letter will continue to be in full force and effect.

4. Confidential Treatment.

Customer understands that certain commercial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity, except as required by law.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-in-Fact

ACCEPTED AND AGREED to by
CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe

Its Senior Vice President, Procurement

December 23, 2009

6-1162-RCN-1890

Continental Airlines, Inc.
1600 Smith Street
Houston, TX 77002
Attention: Mr. Ron Baur

Subject: Use of Aircraft for Testing

Reference: (a) Purchase Agreement No. 1951 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 737 Aircraft

(b) Letter No. 6-1162-SEE-0263, dated July 23, 2009; Subject "Use of Aircraft – 737NG Performance Improvement Package Testing"

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Customer agreed in the reference (b) Letter Agreement to allow Boeing to use one (1) Model 737 Aircraft, with serial number **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, for certain testing. In consideration of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**, Customer further agrees, subject to Customer's concurrence of the scope of such further test flight profile in accordance with the terms below, to allow Boeing to use such Aircraft or any other Aircraft to conduct certain other additional testing subject to the requirements herein. Each such additional test program is hereinafter referred to as the Test Program and each Aircraft used for such additional testing is hereinafter referred to as the Test Aircraft.

Customer will accept delivery of the Test Aircraft without any reduction in the Aircraft Price on account of the depreciation and wear and tear resulting from such testing, subject to the provisions set forth below.

1. Test Aircraft and Test Program

Prior to commencement of each respective Test Program, Boeing will fill in the information identified in the Attachment and provide such Attachment to Customer for its approval of the respective Test Program. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**
.

The Boeing Engineering Work Authorization form (EWA) provided to Customer will contain the estimated flight test hours and cycles for the Test Program. Boeing agrees to obtain Customer's prior permission before conducting any flight testing that would result in the Aircraft flying for a greater number of flight test hours and cycles than the number of estimated fight test hours and cycles contained in the EWA.

If requested by Customer, Boeing agrees to share the Test Program results with Customer, provided that Customer agree to treat such results as Confidential Information and not disclose it to third parties without Boeing's prior written permission.

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Prior to delivery of the Test Aircraft, designated Customer representatives may inspect the Test Aircraft in accordance with Article 9.2 of the Purchase Agreement. In addition, Boeing will provide to Customer a report detailing the test conditions that the Test Aircraft, and in particular, the landing gear, was subjected to during the Test Program to verify that test conditions were within design parameters. Any items deemed to be beyond reasonable wear and tear will be addressed via standard delivery processes subject to discussion between Boeing and Customer.

2. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Removal of Wiring and Test Instrumentation.

The wiring installation in the Test Aircraft will be the same as in the other 737 Aircraft being purchased by the Customer under the Agreement. Boeing will remove all flight test wiring and instrumentation to the extent practicable. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

4. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

5. Warranty.

The terms and conditions of the Product Assurance Document (Exhibit C to the AGTA) will run full term from the date of the delivery of the Test Aircraft to Customer. If any Boeing supplier, except the Engine manufacturer, refuses to honor any valid warranty claim submitted by Customer solely on the basis of use or time expiration relating to the Test Program or refurbishment, Boeing will assume responsibility for such claim using the supplier warranty terms and conditions as though the warranty period began with delivery of the Test Aircraft to Customer.

6. Wheels, Tires and Brakes.

If indicated in the Attachment, Boeing will remove the Test Program tires, wheels, and brakes and replace with the production tires, wheels and brakes on the Test Aircraft after such Test Program and prior to delivery of the Test Aircraft.

7. Accomplishment of Maintenance Check.

Boeing will maintain the Test Aircraft with an Airplane Inspection Program (AIP) as required by 14 CFR 91.409 (e). Scheduled maintenance and inspection intervals will be based on a Low Utilization Maintenance Plan from the 737 Maintenance Planning Document as described in the AIP.

8. List of Greases, Oils and Other Fluids.

Boeing will provide Customer in a timely manner a list of part and/or specification numbers and suppliers of the greases, oils and other fluids used to service the Test Aircraft during the flight test program.

9. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

10. Termination of Boeing's Right to Use Aircraft for Test Programs

10.1 One of the items identified in the Attachment is the dollar value of each respective Test Program. This value will be determined by Boeing acting in good faith. Boeing's right to use Customer's Aircraft for Test Programs hereunder will terminate when the cumulative value of the Test Programs identified in the Attachment equals $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

10.2 **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

11. Confidential Treatment.

Customer understands that certain commercial information contained in this Letter Agreement are considered by Boeing as confidential. Customer agrees that it will treat this Letter Agreement and the information contained herein as confidential and will not, without the prior written consent of Boeing, disclose this Letter Agreement or any information contained herein to any other person or entity, except as required by law.

Very truly yours,

THE BOEING COMPANY

By /s/ Susan Englander

Its Attorney-in-Fact

ACCEPTED AND AGREED TO this

Date: December 23, 2009

CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe

Its Senior Vice President, Procurement

Attachment to 6-1162-RCN-1890
Update No. 1

Aircraft No.	EWA No. *	Estimated Flight Test Hrs.	Actual Flight Test Hrs.	Scheduled Delivery Month	Revised Delivery Month	Test Program $ Value	Wheels, tires, brakes replaced?	Engines Borescoped?
3138/YJ571	Y3333-003	No greater than [***]		TBD**	TBD**	$[***]	No	Yes

* EWA is the Boeing Engineering Work Authorization form number. Such form contains the test description and will be provided to Customer concurrent with this attachment.

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[*** **CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Approved by:

CONTINENTAL AIRLINES, INC.

By /s/ Jacques Lapointe
Its Senior Vice President, Procurement

Exhibit 10.24(r)

Supplemental Agreement No. 18

to

Purchase Agreement No. 2061

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, is entered into as of December 23, 2009 by and between THE BOEING COMPANY (Boeing) and CONTINENTAL AIRLINES, INC. (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2061 dated October 10, 1997 (the Purchase Agreement) relating to Boeing Model 777-200ER Aircraft (the Aircraft); and

WHEREAS, the parties agree to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Revised Table of Contents

Remove and replace, in its entirety, the "Table of Contents", with the "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 18.

2. Revised Table 4

Remove and replace, in its entirety, Table 4 "Aircraft Delivery, Description, Price and Advance Payments" with a revised Table 4 attached hereto to reflect removal of the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Other Terms

Boeing agrees the advance payments paid with respect to the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

The effectiveness of this Supplemental Agreement is contingent on the concurrent execution of the 737 supplemental agreement no. 53 to purchase agreement no. 1951.

The Purchase Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY	CONTINENTAL AIRLINES, INC.
By: /s/ Susan Englander	By: /s/ Jacques Lapointe
Its: Attorney-in-Fact	Its: Senior Vice President – Procurement

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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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Supplemental Agreement No. 3	September 25, 1998
Supplemental Agreement No. 4	February 3, 1999
Supplemental Agreement No. 5	March 26, 1999
Supplemental Agreement No. 6	May 14, 1999
Supplemental Agreement No. 7	October 31, 2000
Supplemental Agreement No. 8	June 29, 2001
Supplemental Agreement No. 9	June 25, 2002
Supplemental Agreement No. 10	November 4, 2003
Supplemental Agreement No. 11	July 28, 2005
Supplemental Agreement No. 12	March 17, 2006
Supplemental Agreement No. 13	December 3, 2007
Supplemental Agreement No. 14	February 20, 2008
Supplemental Agreement No. 15	October 15, 2008
Supplemental Agreement No. 16	May 1, 2009
Supplemental Agreement No. 17	August 31, 2009
Supplemental Agreement No. 18	December 23, 2009

Table 4
to Purchase Agreement 2061
Aircraft Delivery, Description, Price and Advance Payments

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Exhibit 10.29(c)

Third Amendment to the Second Amended and Restated
Capacity Purchase Agreement

This third amendment (this "Amendment") to that certain Second Amended and Restated Capacity Purchase Agreement among Continental Airlines, Inc. ("Continental"), ExpressJet Holdings, Inc. ("Holdings"), XJT Holdings, Inc. ("XJT") and ExpressJet Airlines, Inc. ("ExpressJet" and, collectively with Holdings and XJT, "Contractor") dated as of June 5, 2008, as previously amended by the parties (the "Agreement") is entered into this 22nd day of December, 2009 by and between Continental and Contractor. Except as otherwise specified herein, capitalized terms shall have the meanings ascribed in the Agreement.

WHEREAS, Contractor desires to sublease from Continental eight (8) Embraer 145 aircraft, that are currently Covered Aircraft, as Uncovered Aircraft in order to assist with Contractor's fleet needs for the provision of services to United Air Lines under a capacity purchase agreement and in Contractor's charter operations; and

WHEREAS, Continental is willing to sublease such aircraft as Uncovered Aircraft, in accordance with the terms set forth herein; and

WHEREAS, the parties desire to amend certain provisions of the Agreement related to or impacted by the conversion of such aircraft from Covered Aircraft to Uncovered Aircraft;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Agreement as follows:

Section 1. Section 2.04(b) is deleted in its entirety and replaced with the following:

"(b) *Revenue-Risk Aircraft*. Contractor previously operated 13 Original Aircraft pursuant to the terms and conditions of the Delta Pro-Rate Agreement ("Delta Pro-Rate Aircraft"), 46 Original Aircraft under its own brand through scheduled service under the "ExpressJet Airlines" brand and also through charter operations ("Branded Aircraft"), and will operate 8 Original Aircraft either pursuant to the terms and conditions of the United CPA or as Branded Aircraft ("Additional Uncovered Aircraft"), such Delta Pro-Rate Aircraft, Branded Aircraft, and Additional Uncovered Aircraft (and, in the case of Additional Uncovered Aircraft, the associated engines) being identified in Section C of Schedule 1 hereto (collectively, the "Revenue Risk Aircraft").

(i) Contractor returned 29 of the Revenue-Risk Aircraft to Continental on or prior to December 1, 2008.

(ii) The parties acknowledge that the 30 Revenue-Risk Aircraft identified as "Retained" in the tables in Section C of Schedule 1 hereto captioned "Delta Prorate Aircraft" and "Branded Aircraft" (the "Retained Aircraft") shall be retained by Contractor as Uncovered Aircraft until the seventh anniversary of the Effective Date, on which date, subject to the provisions of Section 8.05, Contractor shall deliver possession of such Retained Aircraft to Continental (or its designee) in accordance with the provisions of Section 2.08. Contemporaneously with the execution of this Agreement, the Basic Rent payable under each Uncovered Aircraft Sublease related to a Retained Aircraft shall be reduced by 50 percent for such seven year period.

Terms Relating to Additional Uncovered Aircraft

Basic Rent

Notwithstanding the terms of the relevant Uncovered Aircraft Sublease and Schedule 2 hereto, the Basic Rent payable under each Uncovered Aircraft Sublease for Additional Uncovered Aircraft will be the following. The Basic Rent will be $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per Additional Uncovered Aircraft per month, through the period ending at the end of the month in which the total number of aircraft months for the Uncovered Aircraft Subleases (measured in the aggregate for all Additional Uncovered Aircraft) equals two hundred forty (240) (the "Baseline Date"). (For purposes of calculating the Baseline Date, if any partial month in which an Uncovered Aircraft Sublease commences on or before the 15th of the month, then such month shall count as a full aircraft month, and, if any partial month in which an Uncovered Aircraft Sublease commences after the 15th of the month, then such month shall not count as any portion of an aircraft month.) During the month in which the Baseline Date is reached, the Basic Rent will be $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per Additional Uncovered Aircraft per month for each aircraft month in excess of two hundred forty (240) accrued during such month. For eighteen months after the Baseline Date, the Basic Rent will be $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per Additional Uncovered Aircraft per month. For the nineteenth month after the Baseline Date and for so long thereafter as such Uncovered Aircraft Sublease is in effect, the Basic Rent will be $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** per Additional Uncovered Aircraft per month. Contractor shall provide reasonable documentation and access to Contractor's maintenance records so that Continental may substantiate all charges, maintenance events, operational statistics and expenses reimbursable hereunder. The Basic Rent for partial months will be pro-rated based on the number of calendar days in such month. Notwithstanding the payment terms for Basic Rent set forth in the applicable Uncovered Aircraft Sublease, payment of Basic Rent for the Additional Uncovered Aircraft for each month will be made on the first Business Day of such month, or the first Business Day of the term of each applicable Uncovered Aircraft Sublease, if such Uncovered Aircraft Sublease term commences after the first Business Day of any month.

Landing Gear Charge

In addition to the Basic Rent and engine LLP charges set forth below, Contractor shall also pay to Continental a charge of $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for every aircraft cycle flown after the sublease term commencement by the Additional Uncovered Aircraft for so long as each Additional Uncovered Aircraft remains an Additional Uncovered Aircraft as compensation for the consumption of landing gear useful life between overhauls, including the consumption of the useful life of landing gear LLP. These charges are non-refundable and are not in any way predicated or contingent upon the performance of any landing gear maintenance, overhaul or parts replacement. Such payment shall be made on the 15th day of the month following the month of operation (or if such day is not a Business Day, the next Business Day). If Contractor incurs out-of-pocket expenses for the scheduled overhaul of landing gear, including landing gear LLP replacement expenses (excluding removal and installation expenses and otherwise consistent with Section B4(a)(viii) of Schedule 3) for landing gear removed from such Uncovered Aircraft, then Continental shall reimburse Contractor for such expenses, within 30 days of Contractor's presentation to Continental of an invoice along with evidence that Contractor has paid all applicable third parties for such material and services. Contractor shall, in a manner consistent with industry best practices, prolong the life of landing gear assemblies as long as possible before removing for scheduled maintenance.

Engine LLP Charge

In addition to the Basic Rent and landing gear charges set forth above, Contractor shall also pay to Continental a charge of $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for every aircraft cycle flown after the Uncovered Aircraft Sublease term commencement by the Additional Uncovered Aircraft for so long as each Additional Uncovered Aircraft remains an Additional Uncovered Aircraft as compensation for the consumption of the useful life of engine LLP. It being acknowledged that, as of December 22, 2009, Contractor is providing **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** spare engines either owned or leased outside of any Covered Aircraft Sublease or Uncovered Aircraft Sublease ("Spare Engines"), Contractor and Continental agree to reduce the above rate of $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** to $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the term and any extension thereof of the Additional Uncovered Aircraft subleases for so long as Contractor continues to provide at least **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** Spare Engines. To the extent that the number of Spare Engines become less than **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** (whether or not periodically unserviceable in the ordinary course of business), the rate of $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be increased by $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for each such Spare Engine up to a maximum rate of $**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**. These charges are non-refundable and are not in any way predicated or contingent upon the replacement of any engine LLP. Such payment shall be made on the 15th day of the month following the month of operation (or if such day is not a Business Day, the next Business Day).

Engine LLP Program

If the Engine Maintenance Agreement is amended to provide coverage for LLP replacement in exchange for a charge per cycle (or a similar arrangement) (an "LLP Program") and the engines associated with the Additional Uncovered Aircraft pursuant to the applicable Uncovered Aircraft Sublease are included within the scope of such LLP Program, then, upon the commencement of such LLP Program and thereafter, for so long as such engines remain within the scope of an LLP Program, Contractor shall be relieved of its obligation to pay the engine LLP charge described above, conditioned upon Contractor making payment to the maintenance provider of the LLP Program services, for all charges payable under such LLP Program relating to the cycles (or other operable parameter that may be the basis for payment under such LLP Program). Without limiting Contractor's right to decide whether or not the engines associated with the Additional Uncovered Aircraft are included within the scope of an LLP Program, Contractor shall keep the engines associated with the Additional Uncovered Aircraft within the scope of the Engine Maintenance Agreement (excluding any provisions related to such LLP Program), unless otherwise agreed by Continental.

Engine LLP Replacement Expenses

If Contractor incurs out-of-pocket engine LLP replacement expenses for the cycle limit driven replacement of LLP for engines associated under the applicable Uncovered Aircraft Sublease with the Additional Uncovered Aircraft, (consistent with Section B4(a)(ix) of Schedule 3), then Continental shall reimburse Contractor for such expenses, within 30 days of Contractor's presentation to Continental of an invoice along with evidence that Contractor has paid all applicable third parties for such material and services. Contractor shall, in a manner consistent with industry best practices, prolong the life of engine LLP as long as possible before replacement.

Uncovered Aircraft Sublease Term Commencement

The term of each Uncovered Aircraft Sublease for the Additional Uncovered Aircraft will commence on the later of the (i) date that such aircraft is released from its status as a Covered Aircraft and no longer providing Regional Airline Services, or (ii) date set forth in the following schedule: (a) December 29, 2009 for the first two Additional Uncovered Aircraft, (b) January 5, 2010 for the third, fourth, fifth and sixth Additional Uncovered Aircraft and (c) April 6, 2010 for the seventh and eighth Additional Uncovered Aircraft. Upon transition of such aircraft from Covered Aircraft to Additional Uncovered Aircraft, such aircraft shall be fully fueled at Continental's expense and Contractor shall deliver to Continental a delivery receipt, including a description of operational and maintenance history, in a form reasonably acceptable to Continental.

Uncovered Aircraft Sublease Term Duration

The average term of all of the Uncovered Aircraft Subleases for the Additional Uncovered Aircraft will be thirty (30) months from May 1, 2010, *provided* that the minimum term for any such Uncovered Aircraft Sublease is twenty-four (24) months from May 1, 2010, and *provided further* that if the thirty (30) month average term described above for such Uncovered Aircraft Subleases is less than the average term of all the aircraft operated by Contractor pursuant to the United CPA, then, upon Continental's election, the term of one or more of such Uncovered Aircraft Subleases for the Additional Uncovered CPA Aircraft will be extended such that the average term (measured from May 1, 2010) of all the Uncovered Aircraft Subleases for Additional Uncovered Aircraft equals the average initial term for all of the aircraft operated by Contractor pursuant to the United CPA. If United elects to extend the term of the United CPA, then Contractor shall immediately notify Continental of such election in writing.

Each time that United extends the term of the United CPA Continental may extend the term of one or more of the Uncovered Aircraft Subleases for Additional Uncovered Aircraft for the term of such extension (but not beyond April 30, 2015), but not more than the number of Uncovered Aircraft Subleases that would cause the total number of Uncovered Aircraft Sublease terms extended (including any extension options exercised by Contractor as provided below) to exceed one Additional Uncovered Aircraft Sublease for every two aircraft covered by such extension of the United CPA. Within twenty (20) days of notice by Contractor to Continental that United has elected to extend the United CPA, Continental shall provide notice to Contractor identifying the particular Uncovered Aircraft Subleases that Continental elects to extend, if any, as described above.

Each time that United extends the term of the United CPA, provided that Continental is given notice of such election no less than six (6) months prior to the effective date of such extension, Contractor may extend the term of one or more the Uncovered Aircraft Subleases for Additional Uncovered Aircraft for the term of such extension (but not beyond April 30, 2015), but not more than the number of Uncovered Aircraft Subleases that would cause the total number of Uncovered Aircraft Sublease terms extended (including any extension options exercised by Continental as provided above) to exceed one Additional Uncovered Aircraft Sublease for every two aircraft covered by such extension of the United CPA. Within twenty (20) days of notice by Contractor to Continental that United has elected to extend the United CPA, Contractor shall provide notice to Continental of the number of Uncovered Aircraft Subleases that Contractor wishes to extend. Continental shall select the particular Additional Uncovered Aircraft for which the Uncovered Aircraft Sublease(s) will be extended.

Return of Additional Uncovered Aircraft

Upon expiration of each such Uncovered Aircraft Sublease for the Additional Uncovered Aircraft, Contractor shall comply with the provisions of <u>Section 2.08</u> and <u>10.01</u> related to return of Uncovered Aircraft and return such aircraft fully fueled. Contractor may not operate any Uncovered Aircraft in commercial service, whether scheduled or otherwise, if such aircraft are in any livery that incorporates Continental Marks.

Contractor Representations Regarding the United CPA

Contractor warrants and represents that (a) of the twenty-two (22) aircraft to be operated by Contractor pursuant to the United CPA (i) the term of 11 of such aircraft is not less than twenty-four (24) months, and (ii) the term of the other eleven (11) aircraft is not less than thirty-six (36) months (b) Contractor will immediately notify Continental of any notice provided by United related to any extension of the term of the United CPA, (c) Contractor will promptly provide notice of any change to the notice provisions of the United CPA relating to the term thereof, and (d) Contractor will provide a true and correct representation with respect to the term of the United CPA and any extension options.

Section 2. Section 2.08 is amended by changing the reference to "<u>Section 2.04</u>" in the 32nd line of the section, so that it reads in relevant part:

"…except those Uncovered Aircraft being returned to Continental under <u>Section 2.04(a)</u> or <u>2.04(b)(i)</u>.…"

Section 3. Section 3.03 is amended by adding the following to the end of the section:

"Notwithstanding any provision of this Agreement to the contrary, Continental will not be responsible for reimbursement of additional Contractor expenses, to the extent that such additional expenses increase due to the impact of the operations of the Additional Uncovered Aircraft."

Section 4. Section 10.01 is deleted in its entirety and replaced with the following:

"Section 10.01 *Conversion of Covered Aircraft Livery*. Without limiting Contractor's obligations in respect of any return conditions under any Covered Aircraft Sublease or Uncovered Aircraft Sublease, for each Delta CPA or Revenue Risk Aircraft, at such time as such aircraft is returned to Continental, if such aircraft is not already prepared in the livery required by Paragraph 8 of Exhibit G and not already configured in the same manner such aircraft was configured at the time of its withdrawal from the capacity purchase provisions of the Existing CPA prior to becoming a Delta CPA or Revenue Risk Aircraft, as applicable (including the removal of all items installed in connection with XM radio, in-seat power or any other such additions to the aircraft), then Contractor shall cause each such aircraft to be prepared in such livery and be configured (including, without limitation, the seating and interior configuration) in the same manner such aircraft was configured at the time of its withdrawal from the capacity purchase provisions of the Existing CPA prior to becoming a Delta CPA or Revenue Risk Aircraft, as applicable (including the removal of all items installed in connection with XM radio, in-seat power or any other such additions to the aircraft), prior to its being placed into such service, and provide all documentation required by applicable FARs relating to such reconfiguration. Contractor shall be responsible for all costs related to such preparation and reconfiguration."

Section 5. The following definition of "Additional Uncovered Aircraft" is added to Exhibit A:

"*Additional Uncovered Aircraft* – is defined in <u>Section 2.04(b)</u>."

Section 6. The following definition of "Baseline Date" is added to Exhibit A:

"*Baseline Date* – is defined in <u>Section 2.04(b)(ii)</u>."

Section 7. The definition of "Basic Rent" is deleted in its entirety from Exhibit A and replaced with the following:

"*Basic Rent* – is defined, with respect to any Covered Aircraft, in the Covered Aircraft Sublease for such Covered Aircraft and, with respect to any Uncovered Aircraft, other than the Additional Uncovered Aircraft, in the Uncovered Aircraft Sublease for such Uncovered Aircraft as modified by Section 2.04(b)(ii) and Schedule 2 hereto, and, in the case of each Additional Uncovered Aircraft, for so long as such Additional Uncovered Aircraft remains an Additional Uncovered Aircraft pursuant to the terms of this Agreement, in Section 2.04(b)(ii)."

Section 8. The following definition of "LLP Program" is added to Exhibit A:

"*LLP Program*" – is defined in Section 2.04(b)(ii).

Section 9. The following definition of "United" is added to Exhibit A:

"*United* – means United Air Lines, Inc., a Delaware corporation, and its successors and assigns."

Section 10. The following definition of "United CPA" is added to Exhibit A:

"*United CPA* – means the capacity purchase agreement to be entered into by and among Contactor and United, the general terms of which are described in Contractor's third quarter of 2009 10Q as filed with the Securities and Exchange Commission on November 16, 2009, and as same may be extended pursuant to the terms thereof."

Section 11. Schedule 1 is deleted in its entirety and replaced with the attached restated Schedule 1.

Section 11. Appendix 1 to Schedule 3 is amended by deleting the definition of "Baseline Monthly Block Hours" in its entirety and replacing it with the following:

“‘*Baseline Monthly Block Hours*’ means the following number of block hours for each calendar month set forth below:

For December, 2009:	**[XXX]**
For January, 2010:	**[XXX]**
For February, 2010:	**[XXX]**
For March, 2010:	**[XXX]**

Following March, 2010,

For each April:	**[XXX]**
For each May:	**[XXX]**
For each June:	**[XXX]**
For each July:	**[XXX]**
For each August:	**[XXX]**
For each September:	**[XXX]**
For each October:	**[XXX]**
For each November:	**[XXX]**
For each December:	**[XXX]**
For each January:	**[XXX]**
For each February:	**[XXX]**
For each March:	**[XXX]**”

Except as expressly amended in this Amendment, the Agreement remains in full force and effect.

[“XXX” REPRESENTS CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.]

IN WITNESS WHEREOF, Continental, Holdings, XJT and ExpressJet have caused this Amendment to be executed in duplicate (each of which duplicates are deemed to be an original) by their duly authorized representatives as of the date first set forth above.

EXPRESSJET HOLDINGS, INC.

By: /s/ Chuck Coble

Name: Chuck Coble
Title: Vice President Field Services,
Purchasing and Corporate Real Estate

CONTINENTAL AIRLINES, INC.

By: /s/ Zane Rowe

Name: Zane Rowe
Title: Executive Vice President &
Chief Financial Officer

XJT HOLDINGS, INC.

By: /s/ Chuck Coble

Name: Chuck Coble
Title: Vice President Field Services,
Purchasing and Corporate Real Estate

EXPRESSJET AIRLINES, INC.

By: /s/ Chuck Coble

Name: Chuck Coble
Title: Vice President Field Services,
Purchasing and Corporate Real Estate

SCHEDULE 1

Section A

Covered Aircraft	Tail	US Reg	Retained
1	925	N14925	
2	926	N15926	
3	927	N16927	
4	928	N17928	
5	929	N13929	
6	930	N14930	
7	932	N15932	
8	933	N14933	
9	934	N12934	
10	935	N13935	
11	936	N13936	
12	937	N14937	
13	938	N14938	
14	939	N14939	
15	940	N14940	
16	941	N15941	
17	942	N14942	
18	943	N14943	
19	944	N16944	
20	945	N14945	
21	946	N12946	
22	947	N14947	
23	948	N15948	
24	535	N11535	
25	536	N11536	
26	537	N21537	
27	538	N13538	
28	539	N11539	
29	540	N12540	
30	541[1]	N16541	
31	542[1]	N14542	
32	543	N14543	
33	545	N26545	
34	548	N11548	
35	549	N26549	
36	550	N13550	

Aircraft	Tail	US Reg	Retained
37	551	N11551	
38	552	N12552	
39	553	N13553	
40	554	N19554	
41	555	N15555	
42	556	N18556	
43	557	N18557	
44	558	N14558	
45	564	N12564	
46	565	N11565	
47	566	N13566	
48	567	N12567	
49	571	N16571	
50	572	N15572	
51	573[1]	N14573	
52	574[1]	N15574	
53	900	N12900	
54	901	N48901	
55	902	N14902	
56	903	N13903	
57	904	N14904	
58	905	N14905	
59	906	N22906	
60	910	N15910	
61	911	N16911	
62	912	N15912	
63	913	N13913	
64	914	N13914	
65	915	N36915	
66	916	N14916	
67	917	N29917	
68	918	N16918	
69	919	N16919	
70	920[1]	N14920	
71	921	N12921	
72	922	N12922	
73	923[1]	N14923	
74	924[1]	N12924	
75	949	N13949	
76	950	N14950	

Aircraft	Tail	US Reg	Retained
77	951	N16951	
78	952	N14952	
79	953	N14953	
80	954	N16954	
81	955	N13955	
82	956	N13956	
83	957	N12957	
84	958	N13958	
85	959	N14959	
86	960	N14960	
87	961	N16961	
88	962	N27962	
89	963	N16963	
90	964	N13964	
91	965	N13965	
92	966	N19966	
93	967	N12967	
94	968	N13968	
95	969	N13969	
96	970	N13970	
97	971	N22971	
98	972	N14972	
99	973	N15973	
100	974	N14974	
101	975	N13975	
102	976	N16976	
103	977	N14977	
104	978	N13978	
105	979	N13979	
106	980	N15980	
107	981	N16981	
108	982	N18982	
109	983	N15983	
110	984	N17984	
111	985	N15985	
112	986	N15986	
113	987	N16987	
114	988	N13988	
115	989	N13989	
116	990	N13990	
117	991	N14991	

Aircraft	Tail	US Reg	Retained
118	992	N13992	
119	993	N14993	
120	994	N13994	
121	995	N13995	
122	996	N12996	
123	997	N13997	
124	998	N14998	
125	999[1]	N16999	
126	101	N18101	
127	102	N18102	
128	103	N24103	
129	104	N41104	
130	105	N14105	
131	106	N11106	
132	107	N11107	
133	108	N17108	
134	109	N11109	
135	110	N34110	
136	111	N34111	
137	112	N16112	
138	113	N11113	
139	114	N18114	
140	115	N17115	
141	116	N14116	
142	117	N14117	
143	118	N13118	
144	119	N11119	
145	120	N18120	
146	121	N11121	

147	122	N12122	
148	123	N13123	
149	124	N13124	
150	125	N14125	
151	126	N12126	
152	127	N11127	
153	128	N24128	
154	129	N21129	
155	130	N21130	
156	131	N31131	
157	132	N13132	
158	133	N13133	
Aircraft	**Tail**	**US Reg**	**Retained**
159	134	N25134	
160	135	N12135	
161	136	N12136	
162	137	N11137	
163	138	N17138	
164	139	N23139	
165	140	N11140	
166	141	N26141	
167	142	N12142	
168	143	N14143	
169	144	N21144	
170	145	N12145	
171	146	N17146	
172	147	N16147	
173	148	N14148	
174	149	N16149	
175	150	N11150	
176	151	N16151	
177	152	N27152	
178	153	N14153	
179	154	N21154	
180	155	N11155	
181	156	N10156	
182	157	N12157	
183	158	N14158	
184	159	N17159	
185	160	N12160	
186	161	N13161	
187	162	N14162	
188	171	N14171	
189	172	N12172	
190	176	N11176	
191	177	N14177	
192	179	N14179	
193	180	N14180	
194	181	N11181	
195	182	N33182	
196	183	N16183	
197	184	N11184	
198	188	N14188	
199	189	N11189	
Aircraft	**Tail**	**US Reg**	**Retained**
200	190	N27190	
201	191	N11191	
202	192	N11192	
203	193	N11193	
204	194	N11194	
205	195	N12195	
206	196	N17196	
207	197	N21197	
208	198	N14198	
209	199	N11199	
210	200	N27200	
211	201	N12201	
212	202	N13202	
213	203	N14203	
214	204	N14204	
215	501*	N16501	
216	502*	N16502	
217	503*	N19503	
218	504*	N25504	
219	505*	N14505	
220	506*	N27506	

221	507*	N17507	
222	508*	N14508	
223	509*	N15509	
224	510*	N16510	
225	511*	N16511	
226	512*	N27512	
227	513*	N17513	
228	514*	N14514	
229	515*	N29515	
230	516*	N14516	
231	517*	N24517	
232	518*	N28518	
233	519*	N12519	
234	520*	N16520	
235	521*	N17521	
236	522*	N14522	
237	523*	N27523	
238	524*	N17524	
239	525**	N16525	
240	526*	N11526	
Aircraft	**Tail**	**US Reg**	**Retained**
241	527*	N15527	
242	528*	N12528	
243	529*	N28529	
244	530*	N12530	

* withdrawn Covered Aircraft pursuant to Section 2.05 and Continental's notification to ExpressJet on September 5th, 2008

** withdrawn Covered Aircraft pursuant to Section 2.05 and Continental's notification to ExpressJet on September 9th, 2008

[1] Will transition to Additional Uncovered Aircraft in accordance with Section 2.04 (b) (ii)

Section B

Delta CPA Aircraft

Section C

Revenue Risk Aircraft

Delta-Prorate Aircraft

Aircraft	**Tail**	**US Reg**	**Retained**
1	165	N11165	X
2	167	N12167	X
3	168	N14168	X
4	169	N17169	X
5	170	N16170	X
6	173	N14173	X
7	175	N12175	X
8	569	N12569	X
9	570	N14570	X
10	575	N11575	X
11	907	N14907	X
12	908	N13908	X
13	909	N22909	X

Branded Aircraft

Aircraft	**Tail**	**US Reg**	**Retained**
1	163	N12163	X
2	164	N11164	X
3	166	N12166	X
4	174	N14174	X
5	178	N16178	X
6	185	N17185	X
7	186	N14186	X
8	187	N11187	X
9	544	N11544	X
10	546	N16546	X
11	547	N11547	X
12	559	N16559	X
13	560	N17560	X
14	561	N16561	X
15	562	N14562	X
16	563	N12563	X
17	568	N14568	X

Section C

Additional Uncovered Aircraft

Aircraft	Tail	US Reg	Retained	Associated Engines
1	541[1]	N16541		312005, 312010
2	542[1]	N14542		312006, 312009
3	573[1]	N14573		312173, 312215
4	574[1]	N15574		312210, 312211
5	920[1]	N14920		311617, 311678
6	923[1]	N14923		311535, 311537
7	924[1]	N12924		311520, 311521
8	999[1]	N16999		311499, 311511

[1] Will transition to Additional Uncovered Aircraft in accordance with Section 2.04 (b) (ii)

EXHIBIT 21.1

SUBSIDIARIES OF CONTINENTAL AIRLINES
As of February 17, 2010

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Air Micronesia, Inc.	Delaware
CAL CARGO, S.A. de C.V.	Mexico
CALFINCO Inc.	Delaware
Century Casualty Company	Vermont
Continental Airlines de Mexico, S.A.	Mexico
Continental Airlines Domain Name Limited	England
Continental Airlines Finance Trust II	Delaware
Continental Airlines Fuel Purchasing Group, LLC	Delaware
Continental Airlines, Inc. Supplemental Retirement Plan for Pilots Trust Agreement	Delaware
Continental Airlines Purchasing Holdings LLC	Delaware
Continental Airlines Purchasing Services LLC	Delaware
Continental Express, Inc.	Delaware
Continental Micronesia, Inc.	Delaware
Presidents Club of Guam, Inc.	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Continental Airlines, Inc. and each related Prospectus of our reports dated February 17, 2010, with respect to the consolidated financial statements of Continental Airlines, Inc. and the effectiveness of internal control over financial reporting of Continental Airlines, Inc., included in the Annual Report (Form 10-K) of Continental Airlines, Inc. for the year ended December 31, 2009.

Form	Description
S-8	1997 Stock Incentive Plan (No. 333-23165)
S-8	1998 Stock Incentive Plan (No. 333-57297)
S-8	2000 Incentive Plan (No. 333-39762)
S-8	2004 Employee Stock Purchase Plan (No. 333-113444)
S-8	Supplemental Saving Plan for Management Pilots (No. 333-50938)
S-8	2005 Broad Based Employee Stock Option Plan and 2005 Pilot Supplemental Option Plan (No. 333-126891)
S-8	Incentive Plan 2000 - additional 1.5 million shares of Class B Common Stock (No. 333-134904)
S-8	2004 Employee Stock Purchase Plan – additional 3.5 million shares of Class B Common Stock (No. 333-159994)
S-3	Registration Statement relating to Warrants, Class A Common Stock and Class B Common Stock and sales by certain Selling Security holders and the related Prospectus (No. 333-09739)
S-3	Registration Statement relating to $500,000,000 of the Company's Debt Securities, Class B Common Stock, Preferred Stock, Stock Purchase Contracts, Stock Purchase Units, Depositary Shares, Warrants, Junior Subordinated Trust Debentures and Guarantee of Trust Preferred Securities and Trust Preferred Securities of Continental Airlines Finance Trust III (Universal Shelf) and the related Prospectus (No. 333-71906)
S-3	Registration Statement relating to $250,000,000 of Term Income Deferrable Equity Securities (TIDES) of Continental Airlines Finance Trust II, and Convertible Junior Subordinated Debentures, a Preferred Securities Guarantee of the TIDES and Class B Common Stock of the Company (No. 333-55144)
S-3	Registration Statement relating to $175,000,000 of the Company's 5% Convertible Notes due 2023 (No. 333-108576)
S-3	Registration Statement relating to $1 billion of the Company's Debt Securities, Class B Common Stock, Preferred Stock, Stock Purchase Contracts, Stock Purchase Units, Depositary Shares, Warrants, Subscription Rights and Pass Through Certificates, and the related Prospectus (No. 333-128289)
S-3ASR	Automatic Shelf Registration Statement relating to the Company's Debt Securities, Class B Common Stock, Preferred Stock, Stock Purchase Contracts, Stock Purchase Units, Depositary Shares, Warrants, Subscription Rights and Pass Through Certificates, and the related Prospectuses (No. 333-158781)

Houston, Texas
February 17, 2010

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Kirbyjon H. Caldwell
(Signature)

Printed Name: Kirbyjon H. Caldwell

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Carolyn Corvi
(Signature)

Printed Name:Carolyn Corvi

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Douglas H. McCorkindale
(Signature)

Printed Name: Douglas H. McCorkindale

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the "Company"), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned's true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Henry L. Meyer III
(Signature)

Printed Name: Henry L. Meyer III

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Oscar Munoz
(Signature)

Printed Name: Oscar Munoz

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Laurence E. Simmons
(Signature)

Printed Name:Laurence E. Simmons

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Jeffery A. Smisek
(Signature)

Printed Name: Jeffery A. Smisek

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Karen Hastie Williams
(Signature)

Printed Name: Karen Hastie Williams

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Ronald B. Woodard
(Signature)

Printed Name: Ronald B. Woodard

Dated and effective as of February 17, 2010

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director and/or officer of Continental Airlines, Inc. (the “Company”), does hereby constitute and appoint Jennifer L. Vogel, Lori A. Gobillot and Gerald W. Clanton, or any of them, as the undersigned’s true and lawful attorneys in fact and agents to execute in the name, place and stead of the undersigned the Company’s Annual Report on Form 10-K for the year ended December 31, 2009 (and any amendments thereto), to be filed by the Company under the Securities Exchange Act of 1934, as amended, as fully and effectively in all respects as the undersigned could do if personally present.

IN WITNESS WHEREOF, the undersigned has signed this Power of Attorney on and as of the date set forth below.

/s/ Charles A. Yamarone
(Signature)

Printed Name:Charles A. Yamarone

Dated and effective as of February 17, 2010

EXHBIT 31.1

CERTIFICATION

I, Jeffery A. Smisek, certify that:

1. I have reviewed this annual report on Form 10-K of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2010

/s/ Jeffery A. Smisek
Jeffery A. Smisek
Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Zane C. Rowe, certify that:

1. I have reviewed this annual report on Form 10-K of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2010

/s/ Zane C. Rowe
Zane C. Rowe
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the “Form 10-K”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Continental Airlines, Inc. and will be retained by Continental Airlines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: February 17, 2010

/s/ Jeffery A. Smisek
Jeffery A. Smisek
Chairman, President and
Chief Executive Officer

/s/ Zane C. Rowe
Zane C. Rowe
Executive Vice President and
Chief Financial Officer