

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

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

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

CONTINENTAL AIRLINES, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of Incorporation)

1-10323
(Commission File Number)

74-2099724
(IRS Employer Identification No.)

1600 Smith Street, Dept. HQSEO, Houston, Texas
(Address of Principal Executive Offices)

77002
(Zip Code)

(713) 324-2950
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

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

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

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

(c) As previously announced, Jeff Smisek has assumed the position of Chairman of the Board, President and Chief Executive Officer of Continental Airlines, Inc. (the "Company"), effective on January 1, 2010 following the resignation of Larry Kellner effective on December 31, 2009. In connection with his promotion, Mr. Smisek has entered into an agreement with the Company dated January 4, 2010 pursuant to which he has agreed to forego his annual salary of \$730,000 and any annual bonus that would otherwise be earned for each calendar year beginning January 1, 2010 unless the Company makes a profit for such full calendar year. In the agreement, Mr. Smisek acknowledges that his participation in certain benefits, such as the Company's 401(k) plan and employee stock purchase plan, will be impacted by his salary and annual bonus waiver. The Company also agrees that if the salary and annual bonus waiver impacts Mr. Smisek's participation in welfare benefit plans such as life insurance or disability, it will provide him equivalent benefits at no additional cost. The agreement further provides that the salary and annual bonus waiver will not otherwise affect Mr. Smisek's rights under his employment agreement, including, without limitation, Mr. Smisek's right to participate in any long term incentive program maintained by the Company and the calculation of benefits based on salary or annual bonus level.

The information required to be reported pursuant to Item 5.02(c)(2) of Form 8-K was included in Item 5.02(c) to the Company's Current Report on Form 8-K dated July 16, 2009, which is incorporated herein by reference. The foregoing description of the agreement with Mr. Smisek is qualified in its entirety by reference to the full text of the agreement, which is filed herewith as Exhibit 99.1.

On January 4, 2010, Mr. Smisek wrote a letter to employees, which the Company released to the press, concerning his decision to forego his salary and annual bonus. Mr. Smisek's letter to employees is filed herewith as Exhibit 99.2 and is incorporated in this Item 5.02 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1	Letter Agreement dated January 4, 2010 between the Company and Jeff Smisek
99.2	Letter to employees released to the press



SIGNATURE

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

CONTINENTAL AIRLINES, INC.

January 4, 2010

By /s/ Lori A. Gobillot
Lori A. Gobillot
Staff Vice President and Assistant General
Counsel

EXHIBIT INDEX

99.1	Letter Agreement dated January 4, 2010 between the Company and Jeff Smisek
99.2	Letter to employees released to the press

January 4, 2010

Mr. Jeffery A. Smisek
Continental Airlines, Inc.
1600 Smith Street, Dept. HQSEO
Houston, TX 77002

Dear Jeff:

The purpose of this letter is to set forth your voluntary agreement to forego your annual salary of \$730,000 and any annual bonus that would otherwise be earned by you pursuant to the Employment Agreement between you and Continental Airlines, Inc. (the "Company") effective October 15, 2007 (as amended, the "Employment Agreement") with respect to each calendar year beginning January 1, 2010 and continuing during the term of the Employment Agreement (each such year, a "Covered Year") unless the Company achieves a profit for such Covered Year. For purposes of this letter agreement, "profit" shall have the same meaning as ascribed to the equivalent term used in the Company's broad-based employee profit sharing program applicable for such Covered Year. If the Company does not have such a program in effect for a Covered Year, then the term "profit" shall mean a positive net income of the Company (before taxes) as shown on its audited consolidated financial statements for such Covered Year, but calculated excluding any unusual or non-recurring items, prepared in accordance with applicable accounting standards.

You agree that (i) the Company will not pay you, and you shall have no right to, any salary or annual bonus with respect to any Covered Year (which would otherwise be earned by you as an employee of the Company with respect to your service) unless the Company achieves a profit for such Covered Year, and (ii) the voluntary salary and annual bonus waiver is provided by you in connection with your promotion as successor Chairman and Chief Executive Officer and your associated salary increase and the waiver shall not constitute a breach by the Company of the Employment Agreement.

You acknowledge that your ability to participate in, or to accrue benefits under, the Continental Retirement Plan, the Continental 401(k) Plan, and the Continental Employee Stock Purchase Plan are dependent upon your receipt of base salary and will be impacted by this voluntary salary waiver. The Company agrees that this voluntary salary and annual bonus waiver shall not affect your rights under the Employment Agreement except as specifically set forth in this letter, and those rights shall be determined for all other purposes as if your salary and annual bonus continued to be paid at its then-approved level, without regard to this waiver, including without limitation your rights as reflected in the Employment Agreement in paragraphs 3.2(b), 3.3, 3.5 and 3.6, and the definition of "Termination Payment" in paragraph 4.8(xi). In addition, to the extent that the salary and annual bonus waiver impacts your participation in, or the level of benefits provided under, any welfare benefit plan provided by the Company, including without limitation the disability plan or the life insurance plan, the Company shall provide an equivalent benefit to you at no additional cost, of any kind, to you. The Company will pay you an amount sufficient to make you whole for any such additional costs as soon as practicable, but not later than the end of the Covered Year following the Covered Year the cost is incurred. This letter will not impact your right to participate in any long term incentive program maintained by the Company as described in paragraph 3.2(b) of the Employment Agreement.

If the Company achieves a profit for any Covered Year, the Company will pay to you the unpaid salary for such Covered Year upon determination by the Human Resources Committee that a profit has been achieved for the Covered Year (and in no event later than January 30th following the Covered Year). If a determination has been made by the Human Resources Committee that a profit was achieved for any Covered Year, you will be entitled to receive any annual bonus for that year to which you would otherwise have been entitled, payable in accordance with the terms otherwise applicable to that bonus. In addition, notwithstanding the terms of this letter agreement, if your employment is terminated (i) by the Company "without Cause" (as defined in the Employment Agreement) or pursuant to paragraph 2.2(i) or 2.2(ii) of the Employment Agreement, or (ii) by you for "Good Reason" (as defined in the Employment Agreement), the Company shall pay to you (or, in the event of a termination pursuant to paragraph 2.2(i) of the Employment Agreement, your estate) on the effective date of such termination all salary and annual bonus amounts that have not been paid to you during or with respect to any Covered Year as a result of the terms of this letter agreement. If the Company has not achieved a profit for any Covered Year, the Company will provide written confirmation to you no later than March 1 following such Covered Year of the amount of salary and any annual bonus to which you would otherwise have been entitled for such Covered Year. Either party shall have the right to terminate the salary and annual bonus waiver pursuant to this letter agreement for any Covered Year by providing written notice to the other party prior to January 1 of such Covered Year.

It is intended that any payment pursuant to the terms of this letter agreement be exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended, pursuant to the short term deferral exclusion and this letter agreement shall be administered accordingly; provided, however, that Section 5.17 of the Employment Agreement shall apply to the terms of this letter agreement to the extent applicable.

By signing below, you agree that this letter agreement accurately reflects our mutual understanding with respect to your desire to forego your salary and annual bonus as described herein and shall be deemed to constitute an agreement of the parties with respect to its terms for purposes of paragraph 5.12 of the Employment Agreement.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By: /s/ Jennifer L. Vogel
Name: Jennifer L. Vogel
Title: Senior Vice President, General Counsel, Secretary and Chief Compliance Officer

APPROVED:

/s/ Charles Yamarone
Charles Yamarone
Chair, Human Resources Committee

ACKNOWLEDGED AND AGREED:

JEFFERY A. SMISEK

/s/ Jeffery A. Smisek

January 4,
2010
99.2

Exhibit

Dear Co-worker:

As I step into my new role as CEO, I'm proud and excited to be leading the greatest team in the airline industry. You have proven again and again that you can provide the best customer service and product in the business, despite the many challenges that have become the "new normal" for this industry. You just proved that yet again over the holidays, when you performed at the top of your game in one of the worst winter storms in decades on one of the busiest travel days of the year. No one does it better.

Now we need to focus on conquering our biggest challenge of all: making money on an on-going basis. Making money will make possible all the good things you want and deserve from Continental – job security, better pay, better benefits, career advancement and retirement security. Continuing year after year of losses will result in all the things you don't want – furloughs, pay and benefit reductions, career stagnation and worries about retirement. We've lost almost \$1 billion since 9/11 as we've managed from one crisis to the next. It's our airline and it's time to take control of our destiny.

To demonstrate my belief in your ability to do just that, I am going to refuse to accept any salary or annual bonus until we make a full-year profit. I am willing to make this commitment because I have faith in you, and because the tone for any business is set at the top. I am not asking you or anyone else to reduce their pay. What I am asking is that you join me in making Continental profitable again. I'm asking that you do what you do best – provide our customers outstanding service while working more efficiently, bringing in new revenue and out-performing the competition.

While we face enormous challenges, we also have significant strengths. We have you – the most professional men and women in the industry. We belong to the world's best and most comprehensive airline alliance – Star Alliance. We fly the newest, most fuel-efficient fleet in the industry, and we have world class facilities. We continue to ensure that our product is competitive, adding amenities like DIRECTV, Video on Demand and flat-bed seats.

Our greatest strength is and always has been the Continental team and our Working Together culture. You are the key to our success and deserve all of the opportunities that will come from making money again. It's our airline. Let's get it back in the black so we can all enjoy the benefits that will flow from making money again.

I wish you all a healthy, happy – and prosperous – New Year.

/s/ Jeff