

CONTINENTAL AIRLINES INC /DE/

Form DEF 14A

April 27, 2007

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

**SCHEDULE 14A**

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

Filed by the Registrant    
Filed by a Party other than the Registrant

Check the appropriate box:

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

**Continental Airlines, Inc.**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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April 27, 2007

To Our Stockholders:

On behalf of our Board of Directors, we are pleased to invite you to attend the Continental Airlines, Inc. 2007 Annual Meeting of Stockholders. As indicated in the attached notice, the meeting will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Tuesday, June 12, 2007, at 10:00 a.m., local time. At the meeting, we will act on the matters described in the attached proxy statement and there will be an opportunity to discuss other matters of interest to you as a stockholder.

Please authorize your proxy or direct your vote by internet or telephone as described in the enclosed proxy statement, even if you plan to attend the meeting in person. Alternatively, you can date, sign and mail the enclosed proxy card in the envelope provided. We look forward to seeing you in Houston.

Cordially,

Larry Kellner  
*Chairman and  
Chief Executive Officer*

Jeff Smisek  
*President*

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

**NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held June 12, 2007**

The 2007 annual meeting of stockholders of Continental Airlines, Inc. will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Tuesday, June 12, 2007, at 10:00 a.m., local time, for the following purposes:

1. To elect eleven directors to serve until the next annual meeting of stockholders;
2. To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the company and its subsidiaries for 2007;
3. To consider and act upon two stockholder proposals; and
4. To consider and act upon any other matters that may properly come before the annual meeting or any postponement or adjournment thereof.

The holders of record of the company's common stock at the close of business on April 16, 2007 are entitled to notice of and to vote at the meeting. A list of the stockholders entitled to vote at the meeting will be available for examination, during ordinary business hours, for ten days before the meeting at our principal place of business, 1600 Smith Street, Houston, Texas.

Jennifer L. Vogel  
*Secretary*

Houston, Texas  
April 27, 2007

**Please authorize your proxy or direct your vote by internet or telephone as described in the enclosed proxy statement, even if you plan to attend the meeting in person. Alternatively, you may date and sign the enclosed proxy card and return it promptly by mail in the envelope provided. If you mail the proxy card, no postage is required if mailed in the United States. If you do attend the meeting in person and want to withdraw your proxy, you may do so as described in the enclosed proxy statement and vote in person on all matters properly brought before the meeting.**

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

**PROXY STATEMENT**

**2007 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held June 12, 2007**

**THE MEETING**

**Purpose, Place, Date and Time**

We are providing this proxy statement to you in connection with the solicitation on behalf of Continental's board of directors, which we refer to as the board, of proxies to be voted at the company's 2007 annual meeting of stockholders or any postponement or adjournment of that meeting. The meeting will be held at The Hyatt Regency, 1200 Louisiana Street, Houston, Texas on Tuesday, June 12, 2007, at 10:00 a.m., local time, for the purposes set forth in the accompanying Notice of 2007 Annual Meeting of Stockholders. This proxy statement and the accompanying proxy card, together with our annual report to stockholders, are being first mailed or otherwise delivered to stockholders on or about April 27, 2007.

**Record Date; Stockholders Entitled to Vote**

Stockholders of record at the close of business on April 16, 2007, the record date, are entitled to notice of and to vote at the meeting and at any postponement or adjournment of the meeting. At the close of business on the record date, Continental had outstanding 97,127,746 shares of Class B common stock, which we refer to as common stock, and one share of Series B Preferred Stock, held by Northwest Airlines, Inc. or Northwest. Subject to certain limitations on voting by non-U.S. citizens as described below, each share of our common stock is entitled to one vote. The share of Series B Preferred Stock held by Northwest is not entitled to vote with respect to the matters set forth in the accompanying Notice.

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

an individual who is a citizen of the United States;

a partnership, each of whose partners is an individual who is a citizen of the United States; or

a corporation or association organized under the laws of the United States or a state, the District of Columbia, or a territory or possession of the United States, of which the president and at least two-thirds of the board of

directors and other managing officers are citizens of the United States, which is under the actual control of citizens of the United States, and in which at least 75% of the voting interest is owned or controlled by persons who are citizens of the United States.

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

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

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based on the date we receive a written request for registration. As of the record date, shares registered on this record comprised less than 25% of our voting stock.

## **Quorum**

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

Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum, as will broker non-votes. A broker non-vote occurs under the rules of the New York Stock Exchange, or NYSE, when a bank, broker or other nominee holding shares of record is not permitted to vote on a non-routine matter without instructions from the beneficial owner of the shares and no instruction is given. Under these NYSE rules, if you do not provide timely voting instructions to a bank, broker or other nominee that holds your shares of record, that institution will be prohibited from voting on the stockholder proposal related to political activities (Proposal 3) or on the stockholder proposal related to performance-based equity compensation for senior officers (Proposal 4), but will be permitted to vote in its discretion with respect to the election of directors (Proposal 1) and the proposal to ratify the appointment of the independent auditors (Proposal 2).

## **Vote Required for Proposal 1: Election of Directors**

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

In the vote to elect directors, stockholders may:

vote in favor of all nominees;

withhold votes as to all nominees; or

withhold votes as to specific nominees.

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

## **Vote Required for Proposal 2: Ratification of Appointment of Independent Auditors**

The proposal to ratify the appointment of Ernst & Young LLP as our independent auditors will require approval by a majority of the votes cast at the meeting on Proposal 2 by the holders of common stock entitled to vote thereon. Abstentions are not treated as votes cast and thus will not affect the outcome of the proposal.

In the vote on the ratification of the appointment of Ernst & Young LLP as our independent auditors, stockholders may:

vote in favor of the ratification;

vote against the ratification; or

abstain from voting on the ratification.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT AUDITORS.**

**Vote Required for Proposal 3: Stockholder Proposal Related to Political Activities**

The stockholder proposal related to political activities scheduled to be presented at the meeting will require approval by a majority of the votes cast at the meeting on Proposal 3 by the holders of common stock entitled to vote thereon. Neither abstentions nor broker non-votes are treated as votes cast and thus neither will affect the outcome of the proposal.

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In the vote on this stockholder proposal, stockholders may:

- vote in favor of the proposal;
- vote against the proposal; or
- abstain from voting on the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE STOCKHOLDER PROPOSAL RELATED TO POLITICAL ACTIVITIES.**

**Vote Required for Proposal 4: Stockholder Proposal Related to Performance-Based Equity Compensation for Senior Officers**

The stockholder proposal related to performance-based equity compensation for senior officers scheduled to be presented at the meeting will require approval by a majority of the votes cast at the meeting on Proposal 4 by the holders of common stock entitled to vote thereon. Neither abstentions nor broker non-votes are treated as votes cast and thus neither will affect the outcome of the proposal.

In the vote on this stockholder proposal, stockholders may:

- vote in favor of the proposal;
- vote against the proposal; or
- abstain from voting on the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE STOCKHOLDER PROPOSAL RELATED TO PERFORMANCE-BASED EQUITY COMPENSATION FOR SENIOR OFFICERS.**

**Voting of Proxies**

Although you may vote by properly signing and returning the proxy card or voting form that accompanies this proxy statement in the enclosed postage-paid envelope, we ask that you vote instead by internet or telephone, which saves us money. Please note that the telephonic voting procedures described below are not available for shares held by non-U.S. citizens.

**Shares Held of Record.** Stockholders with shares registered in their names with Mellon Investor Services LLC, Continental's transfer agent and registrar, may authorize a proxy by internet at the following internet address: [www.proxyvote.com](http://www.proxyvote.com) or telephonically by calling Broadridge Financial Solutions, Inc., which we refer to as Broadridge, at 1-800-690-6903. Proxies submitted through Broadridge by internet or telephone must be received by 11:59 p.m. eastern time on June 11, 2007. The giving of such proxy will not affect your right to vote in person if you decide to attend the meeting.

**Shares Held in a Bank or Brokerage Account.** A number of banks and brokerage firms participate in a program, separate from that offered by Broadridge, which also permits stockholders to direct their vote by internet or telephone. If your shares are held in an account at such a bank or brokerage firm, you may direct the voting of those shares by internet or telephone by following the instructions on their enclosed voting form. Votes directed by internet or

telephone through such a program must be received by 11:59 p.m. eastern time on June 11, 2007. Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first request a valid proxy either on the internet or the voting form that accompanies this proxy statement. Requesting a valid proxy prior to the deadlines described above will automatically cancel any voting directions you have previously given by internet or by telephone to the bank or brokerage firm holding your shares.

The internet and telephone proxy procedures are designed to authenticate stockholders' identities, to allow stockholders to give their proxy instructions and to confirm that those instructions have been properly recorded. Stockholders authorizing proxies or directing the voting of shares by internet should understand that there may be costs associated with electronic access, such as usage charges from internet access providers and telephone companies, which must be borne by the stockholder.

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**Revocation of Proxies**

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

by submitting written notice to our Secretary before the meeting that you have revoked your proxy;

by timely submitting another proxy via the internet, by telephone or by mail that is later dated and, if by mail, that is properly signed; or

by voting in person at the meeting.

If you are not the record holder of your shares, you may revoke your proxy before it is exercised at the meeting by voting in person at the meeting, provided you have a valid proxy from the holder of record.

**Expenses of Solicitation**

Continental will bear the costs of the solicitation of proxies. In addition to the solicitation of proxies by mail, we may also solicit proxies by internet, telephone, fax or in person. None of our regular employees or directors who engage in solicitation will receive additional compensation for that solicitation. In addition, we have retained Georgeson Inc. to assist in the solicitation of proxies for a fee estimated not to exceed \$7,500 plus reasonable out-of-pocket expenses. Arrangements will be made with brokerage houses and with other custodians, nominees and fiduciaries to forward proxy soliciting materials to beneficial owners, and we will reimburse them for their reasonable out-of-pocket expenses incurred in doing so.

**Stockholders Sharing the Same Last Name and Address**

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

If you received a householded mailing this year and you would like to have additional copies of our proxy statement mailed to you or you would like to opt out of this practice for future mailings, please submit your request to our Secretary in writing at Continental Airlines, Inc., P.O. Box 4607, Houston, Texas 77210-4607. You may also contact us if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future.

**Other Matters To Be Acted on at the Annual Meeting**

We will not act on any matters at the meeting other than those indicated on the accompanying Notice and procedural matters related to the meeting.

**Table of Contents****VOTING RIGHTS AND PRINCIPAL STOCKHOLDERS**

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

Name and Address of Beneficial Holder	Beneficial Ownership of Class B Common Stock	Percent of Class
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	11,545,968(1)	11.97%
Susquehanna Investment Group 401 City Avenue, Suite 220 Bala Cynwyd, PA 19004	6,642,260(2)	7.4%
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street New York, NY 10022	5,267,556(3)	5.85%
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	4,650,000(4)	5.2%

(1) According to a Schedule 13G filed with the U.S. Securities and Exchange Commission ( SEC ) on March 9, 2007, Barclays Global Investors, NA. ( Barclays ), Barclays Global Fund Advisors ( BGI Fund ), Barclays Global Investors, LTD ( BGI LTD ), Barclays Global Investors Japan Trust and Banking Company Limited ( BGI Trust ) and Barclays Global Investors Japan Limited ( BGI Japan ) reported beneficial ownership of the shares reported in the table. Barclays reported sole voting power with respect to 8,510,548 shares and sole dispositive power with respect to 9,588,478 shares, BGI Fund reported sole voting and dispositive power with respect to 862,593 shares, BGI LTD reported sole voting and dispositive power with respect to 915,977 shares, BGI Trust reported no beneficial ownership of shares and BGI Japan reported sole voting and dispositive power with respect to 178,920 shares. The address for BGI Fund is 45 Fremont Street, San Francisco, CA 94105, the address for BGI LTD is Murray House, 1 Royal Mint Court, London, England EC3N 4HH, and the address for BGI Trust and BGI Japan is Ebisu Prime Square Tower, 8<sup>th</sup> Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo, Japan 150-0012.

(2) According to a Schedule 13G filed with the SEC on February 13, 2007, Susquehanna Investment Group ( SIG ), Susquehanna Capital Group ( SGC ) and Susquehanna Securities ( SS ) reported that they are affiliated independent broker-dealers that may be deemed to beneficially own, as a group, all of the shares reported in the table. SIG reported sole voting and dispositive power with respect to 5,722,108 shares, SGC reported sole voting and dispositive power with respect to 864,752 shares, and SS reported sole voting and dispositive power with respect to 55,400 shares. Each of SIG, SGC and SS reported shared voting and dispositive power with respect to all 6,642,260 shares and disclaimed beneficial ownership of all shares directly held by the other two entities.



- (3) According to a Schedule 13G filed with the SEC on February 13, 2007, BlackRock, Inc. ( BlackRock ), a registered investment adviser, reported that it may be deemed to be the beneficial owner of the shares reflected in the table as a result of acting as an investment adviser and parent holding company for a number of investment management subsidiaries. BlackRock reported that it has shared voting and dispositive power with respect to all 5,267,556 shares, does not have sole voting or dispositive power with respect to any of such shares, and that such shares are held by the following investment advisor subsidiaries: BlackRock Advisors LLC, BlackRock Financial Management, Inc., BlackRock Investment Management LLC, BlackRock (Channel Islands) Ltd, BlackRock (Netherlands) B.V., BlackRock Fund Managers Ltd, BlackRock Investment Management UK Ltd and State Street Research & Management Co.

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- (4) According to an amendment to Schedule 13G filed with the SEC on February 12, 2007, Capital Research and Management Company, a registered investment adviser, reported that it may be deemed to be the beneficial owner of the shares reflected in the table as a result of acting as investment adviser to various investment companies and disclaimed beneficial ownership of all such shares. It reported that it has sole voting power with respect to 1,250,000 shares and sole dispositive power with respect to 4,650,000 shares, and that no shares are subject to shared voting or dispositive power.

**Beneficial Ownership of Common Stock by Directors and Executive Officers**

The following table shows, as of April 15, 2007, the number of shares of common stock beneficially owned by our current directors, the executive officers named below in the Summary Compensation Table, and all executive officers and directors as a group.

Name of Beneficial Owners	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Thomas J. Barrack, Jr.	35,000(2)	*
Kirbyjon H. Caldwell	15,288(3)	*
James E. Compton	4,207	*
Lawrence W. Kellner	21,599(4)	*
Douglas H. McCorkindale	66,000(5)	*
Henry L. Meyer III	20,000(6)	*
Jeffrey J. Misner	9,200	*
Mark J. Moran	8,025(7)	*
Oscar Munoz	10,000(2)	*
George G. C. Parker	36,400(8)	*
Jeffery A. Smisek	13,431	*
Karen Hastie Williams	46,000(5)	*
Ronald B. Woodard	15,000(2)	*
Charles A. Yamarone	45,000(2)	*
All executive officers and directors as a group (15 persons)	358,285(9)	*

\* Less than 1%

- (1) The persons listed have the sole power to vote and dispose of the shares beneficially owned by them except as otherwise indicated. Each member of our board is required to beneficially hold at least 1,000 shares of our common stock, including shares the director can acquire within 60 days through the exercise of stock options. All of our directors are in compliance with this requirement as of April 15, 2007, as indicated in the table above. For discussion of the minimum ownership guidelines for our senior officers, please see Corporate Governance Corporate Governance Enhancements below.
- (2) Represents shares subject to stock options that are exercisable within 60 days of April 15, 2007 ( Exercisable Options ).

- (3) Includes 15,000 Exercisable Options.
- (4) Includes 200 shares owned by a relative of Mr. Kellner, as to which shares Mr. Kellner shares dispositive power but disclaims beneficial ownership.
- (5) Includes 45,000 Exercisable Options.
- (6) Includes 15,000 Exercisable Options.
- (7) Includes 4,875 Exercisable Options.
- (8) Includes 35,000 Exercisable Options.
- (9) Includes 270,500 Exercisable Options.

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**CORPORATE GOVERNANCE**

We are committed to high standards of corporate governance and to conducting our business ethically and with integrity and professionalism. In furtherance of these commitments, our board has adopted Corporate Governance Guidelines developed and recommended by the Corporate Governance Committee of our board and we have enhanced our Ethics and Compliance Program through the adoption of Ethics and Compliance Guidelines that replace our Principles of Conduct for our employees and directors. The Corporate Governance Guidelines, together with the charters of each of our board committees, the Ethics and Compliance Guidelines and the Directors Code of Ethics, provide the framework for the corporate governance at Continental. We monitor developments in the laws, regulations and best practices relating to governance, compliance and our business, and evaluate our own policies and principles in light of those developments.

A complete copy of these documents can be found under Corporate Governance in the Investor Relations section of our web site at [www.continental.com](http://www.continental.com), and we will furnish copies of these documents to interested security holders without charge, upon request. Written requests for such copies should be addressed to:

Continental Airlines, Inc.  
Attention: Secretary  
P.O. Box 4607  
Houston, Texas 77210-4607

**Corporate Governance Enhancements**

Since the beginning of 2006, upon the recommendation of the Corporate Governance Committee, our board has implemented the following enhancements to our corporate governance practices:

***Limitation on Board Service.*** In February 2006, our board adopted an amendment to our Corporate Governance Guidelines that limits the number of boards of directors on which any of our directors may serve. Following the transition period which expires in February 2008, none of our directors will be permitted to serve on the board of directors of more than two other public companies if the director is employed on a full-time basis, or four other public companies if the director is employed on less than a full-time basis. For determining the number of boards of directors on which a director serves, the guidelines exclude service on the board of directors of a charitable, philanthropic or non-profit organization, as well as service on the board of the director's principal employer. Further, a director's service on the board of directors of two or more affiliated companies that hold joint or concurrent board meetings will be considered service on only one other board.

***Occupational Changes.*** Also in February 2006, our board adopted an amendment to our Corporate Governance Guidelines requiring our directors to offer to resign upon a qualifying job change. If a director experiences either a termination of his or her principal employment or position, or a material decrease in responsibilities with respect to that employment or position, the director is required to submit his or her offer to resign to the chair of the Corporate Governance Committee. The committee will then review the circumstances surrounding the employment change and such other matters as it deems appropriate and make a recommendation to our board concerning acceptance or rejection of the director's offer to resign. Our board will then make the final determination concerning whether to accept or reject the director's offer to resign.

***Minimum Stock Ownership.*** In February 2006, our board also amended our Corporate Governance Guidelines to establish minimum stock ownership requirements for our directors, chief executive officer, or CEO, president and

executive vice presidents. Subject to a one year transition period for newly-elected directors, each of our directors is required to beneficially own at least 1,000 shares of our common stock, our CEO and our president are each required to beneficially own at least 5,000 shares, and our executive vice presidents are each required to beneficially own at least 2,000 shares. A director's or officer's holdings of restricted stock or stock options exercisable within 60 days are included when determining whether the individual beneficially owns a sufficient number of shares.

***Presiding Director.*** In November 2006, our board amended our Corporate Governance Guidelines to provide that the presiding director for executive sessions of our non-management directors will be the chair of

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the Executive Committee of our board, who will at all times be a non-management member of our board. Prior to this amendment, the presiding director for each such meeting was selected on a rotating basis by seniority. This enhancement provides greater continuity and stability to the position, allowing stockholders or other interested parties the opportunity to communicate with the non-management directors through correspondence directed to the presiding director. Please see [Communications with the Board](#) below for instructions concerning how to contact the presiding director.

***Director Resignation Policy.*** In November 2006, our board amended our Corporate Governance Guidelines and bylaws in connection with the adoption of a director resignation policy. Under this policy, each of our incumbent directors must submit a conditional, irrevocable resignation letter in the form approved by our board before our board will nominate the director for re-election. The current form of resignation letter approved by our board provides that the resignation will only be effective if:

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

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

In accordance with our bylaws, Delaware corporate law and the form resignation letter approved by our board, the resignation letter cannot be revoked or withdrawn while this director resignation policy is in effect.

Each of the nominated directors has submitted his or her conditional, irrevocable letter of resignation as required by the policy. The conditional, irrevocable resignation approved by our board for Larry Kellner, our Chairman of the Board and CEO, includes an acknowledgement that our board's acceptance of his resignation under the circumstances described above would trigger Mr. Kellner's right under his employment agreement with us to resign for Good Reason and receive certain severance benefits. For a discussion of Mr. Kellner's severance benefits following his resignation for Good Reason, please see [Executive Compensation - Potential Payments Upon Termination or Change in Control](#) below.

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

## **Ethics and Compliance Program**

In January 2007, we implemented several enhancements to our Ethics and Compliance Program, including the adoption of the Ethics and Compliance Guidelines. These guidelines, which replace the Principles of Conduct and apply to all of our directors, officers and employees, serve as the centerpiece for our Ethics and Compliance Program by promoting ethical conduct, good judgment and compliance with laws as well as our policies. We also established an Ethics and Compliance Committee of our executive officers led by our General Counsel and Chief Compliance Officer. This committee promotes awareness and understanding of, and adherence to, our Ethics and Compliance Program and periodically reviews and evaluates the program and the guidelines to ensure that they continue to meet our corporate obligations and standards.

## **Director Independence**

Our board determines the independence of each director through application of the director independence tests required by Section 303A of the NYSE Listed Company Manual and, for members of the audit committee, the additional independence tests required by Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended. Our board has applied these independence tests to our eleven nominees and determined that each of the nominees for our

board other than Messrs. Kellner and Smisek (nine of the eleven total nominees) is independent under the applicable standards and qualifies for service on each board committee on which such director currently serves. Please see Proposal 1: Election of Directors Director Biographical Summaries below for a list of all eleven nominees for our board, together with biographical summaries including each nominee's current committee memberships and business experience.

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

**Mr. McCorkindale.** Mr. McCorkindale served as Chairman, President and CEO of Gannett Co., Inc., a leading international news and information company and the publisher of USA TODAY, from February 2001 until July 2005, and continued to serve as Chairman and an employee of Gannett until his retirement in June 2006. We purchase USA TODAY newspapers for our flights and Presidents Club facilities and retain Gannett's services as our agent for procuring newspapers from other publishers. We also have advertised in various newspapers owned by Gannett and its subsidiaries from time to time. Our aggregate payments to Gannett and its subsidiaries in connection with these arrangements, during each of the past three years, represented less than 1/100<sup>th</sup> of 1% of our total operating expenses and less than 1/10<sup>th</sup> of 1% of Gannett's disclosed consolidated gross revenues. Our board has reviewed these arrangements and determined that they are not material to Mr. McCorkindale and do not impair his independence.

**Mr. Meyer.** Mr. Meyer has served as the Chairman, President and CEO of KeyCorp, a financial services company and the parent company of KeyBank, one of the largest banks in the United States, since May 2001. We are the preferred air carrier of KeyCorp, and receive payments from KeyCorp in exchange for providing routine air transportation services to its employees. We also receive payments from KeyBank in connection with its debit card program, launched in 2003, which is co-branded with us. Further, we lease certain ground equipment from KeyBank's leasing division. During each of the past three years, our aggregate payments to KeyCorp and KeyBank, as well as their aggregate payments to us, in each case represented less than 1/4<sup>th</sup> of 1% of the consolidated gross revenues of the payee, and less than 1/4<sup>th</sup> of 1% of the total expenses of the payor. Our board has reviewed these arrangements and determined that they are not material to Mr. Meyer and do not impair his independence.

**Ms. Williams.** In 20