

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Continental Airlines, Inc.
Continental Airlines Finance Trust
(Exact name of registrant as specified in its charter)

| | |
|--|---|
| Delaware | 74-2099724 |
| Delaware | 51-6502566 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification number) |

2929 Allen Parkway, Suite 2010
Houston, Texas 77019
(713) 834-2950
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffery A. Smisek, Esq.
Senior Vice President, General Counsel and Secretary
Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
(713) 834-2950

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of correspondence to:
Michael L. Ryan, Esq.
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, New York 10006

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: ()

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than the securities offered only in connection with dividend or interest reinvestment plans, check the following box. (x)

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ()

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ()

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ()

CALCULATION OF REGISTRATION FEE

| PROPOSED MAXIMUM AGGREGATE TITLE OF EACH CLASS OF OFFERING SECURITIES TO BE REGISTERED PRICE (4) | AMOUNT TO BE REGISTERED (1) | PROPOSED MAXIMUM OFFERING PRICE PER UNIT (4) |
|--|--------------------------------|--|
| Convertible Preferred Securities of Continental Airlines Finance Trust \$333,549,750(1) | 4,997,000 | \$66.75(1) |
| Convertible Subordinated Deferrable Interest Debentures of Continental Airlines, Inc. -- | (2) | -- |
| Class B common stock of Continental Airlines, Inc.(4) -- | (3) | -- |
| Preferred Securities Guarantee(5) | | |
| Total | 4,997,000 100% | \$333,549,750 |

AMOUNT OF
REGISTRATION FEE(1)

\$115,018
- - - -

\$115,018

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(c) of the Securities Act.

(2) \$250,618,550 in aggregate principal amount of 8-1/2% Convertible Subordinated Deferrable Interest Debentures (the "Convertible Subordinated Deferrable Interest Debentures") of Continental Airlines, Inc. (the "Company") were issued and sold to Continental Airlines Finance Trust (the "Trust") in connection with the issuance by the Trust of 4,997,000 of its 8-1/2% Convertible Preferred Securities (the "Preferred Securities").

The Convertible Subordinated Debentures may be distributed, under certain circumstances, to the holders of Preferred Securities for no additional consideration.

(3) Such indeterminate number of shares of Continental Airlines, Inc. Class B common stock as may be issuable upon conversion of the Preferred Securities registered hereunder, including such shares as may be issuable pursuant to anti-dilution adjustments.

(4) Exclusive of accrued interest and distributions, if any.

(5) Includes the rights of holders of the Preferred Securities under the Preferred Securities Guarantee and certain back-up undertakings as described in the Registration Statement. No separate consideration will be received for the Preferred Securities Guarantee and the back-up undertakings.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION - DATED MAY 24, 1996
PROSPECTUS

4,997,000 Preferred Securities
Continental Airlines Finance Trust
8 1/2% Convertible Trust Originated Preferred
Securities SM (Convertible TOPRS SM)
(Liquidation Amount \$50 per Preferred Security)
guaranteed to the extent set forth herein by,
and convertible into Class B common stock of,

Continental Airlines, Inc.

This Prospectus relates to the offering for resale of the 8 1/2% Convertible Trust Originated Preferred Securities SM (the "Convertible TOPRS SM" or "Preferred Securities"), liquidation amount \$50 per Preferred Security, which represent preferred undivided beneficial interests in the assets of Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Issuer" or the "Trust") and the shares of Class B common stock, par value \$.01 per share ("Class B common stock") of Continental Airlines, Inc., a Delaware corporation ("Continental" or the "Company"), issuable upon conversion of the Preferred Securities. The Preferred Securities were issued and sold (the "Original Offering") on November 28, 1995 and December 12, 1995 (the "Original Offering Date") to the Initial Purchasers (as defined herein, see "Selling Holders") and were simultaneously sold by the Initial Purchasers in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), in the United States to persons reasonably believed by the Initial Purchasers to be qualified institutional buyers as defined in Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. Continental directly or indirectly owns all the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") representing undivided beneficial interests in the assets of the Issuer. The Issuer exists for the sole purpose of issuing the Trust Securities and using the proceeds thereof to purchase from Continental its 8 1/2% Convertible Subordinated Deferrable Interest Debentures due 2020 (the "Convertible Subordinated Debentures") having the terms described herein. Upon an event of default under the Declaration (as defined herein), the holders of Preferred Securities will have a preference over the holders of the Common Securities with respect to payments in respect of distributions and payments upon redemption, liquidation and otherwise.

The Preferred Securities and the Class B common stock issuable upon conversion of the Preferred Securities (the "Offered Securities") may be offered and sold from time to time by the holders named herein or by their transferees, pledgees, donees or their successors (collectively, the "Selling Holders") pursuant to this Prospectus. The Offered Securities may be sold by the Selling Holders from time to time directly to purchasers or through agents, underwriters or dealers. See "Plan of Distribution" and "Selling Holders." If required, the names of any such agents or underwriters involved in the sale of the Offered Securities and the applicable agent's commission, dealer's purchase price or underwriter's discount, if any, will be set forth in an accompanying supplement to this Prospectus (the "Prospectus Supplement"). The Selling Holders will receive all of the net proceeds from the sale of the Offered Securities and will pay all underwriting discounts and selling commissions, if any, applicable

to any such sale. The Company is responsible for payment of all other expenses incident to the offer and sale of the Offered Securities. The Selling Holders and any broker-dealers, agents or underwriters which participate in the distribution of the Offered Securities may be deemed to be "Underwriters" within the meaning of the Securities Act, and any commission received by them and any profit on the resale of the Offered Securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. See "Plan of Distribution" for a description of indemnification arrangements.

(continued on following page)

"Convertible Trust Originated Preferred Securities" and "Convertible TOPRS" are service marks of Merrill Lynch & Co., Inc.

Prospective investors should carefully consider the matters discussed under the caption "Risk Factors" commencing on page.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____, 1996.

(continued from cover page)

Holders of the Preferred Securities are entitled to receive cumulative cash distributions at an annual rate of 8 1/2% of the liquidation amount of \$50 per Preferred Security, accruing from the date of original issuance and payable quarterly in arrears on each March 1, June 1, September 1 and December 1, commencing March 1, 1996 ("distributions"). The payment of distributions out of moneys held by the Issuer and payments on liquidation of the Issuer or the redemption of Preferred Securities, as set forth below, are guaranteed by Continental (the "Guarantee") to the extent the Issuer has funds available therefor as described under "Description of the Guarantee." Continental's obligations under the Guarantee are subordinate and junior to all liabilities of Continental, except any liabilities that may be made pari passu expressly by their terms, and are pari passu with the most senior preferred stock issued from time to time by Continental and certain other guarantees. The obligations of Continental under the Convertible Subordinated Debentures are subordinate and junior in right of payment to Senior Indebtedness (as defined herein) of Continental. At March 31, 1996, Senior Indebtedness of Continental aggregated approximately \$ 1.7 billion.

The distribution rate and the distribution payment dates and other payment dates for the Preferred Securities will correspond to the interest rate and interest payment dates and other payment dates on the Convertible Subordinated Debentures, which are the sole assets of the Issuer. As a result, if principal or interest is not paid on the Convertible Subordinated Debentures, no amounts will be paid on the Preferred Securities. If Continental does not make principal or interest payments on the Convertible Subordinated Debentures, the Issuer will not have sufficient funds to make distributions on the Preferred Securities, in which event the Guarantee will not apply to such distributions until the Issuer has sufficient funds available therefor.

Continental has the right to defer payments of interest on the Convertible Subordinated Debentures at any time for up to 20 consecutive quarters (each, an "Extension Period"). If interest payments are so deferred, distributions on the Preferred Securities also will be deferred. During any Extension Period, distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at a rate of 8 1/2% per annum compounded quarterly. During any Extension Period, holders of Preferred Securities will be required to include such deferred interest in their gross income for United States federal income tax purposes in advance of receipt of the cash distributions with respect to such deferred interest payments. There could be multiple Extension Periods of varying lengths throughout the term of the Convertible Subordinated Debentures (but distributions would continue to accumulate quarterly and accrue interest) until the end of any such Extension Period. See "Risk Factors - Option to Extend Interest Payment Period," "Description of the Preferred Securities - Distributions" and "Description of the Convertible Subordinated Debentures - Option to Extend Interest Payment Period." The Convertible Subordinated Debentures will mature on December 1, 2020.

Each Preferred Security will be convertible at any time, at the option of the holder thereof, into shares of Continental's Class B common stock (the "Class B common stock") at a conversion rate of 1.034 shares of Class B common stock for each Preferred Security (equivalent to \$48.36 per share of Class B common stock),

subject to adjustment in certain circumstances. The Class B common stock is quoted on the New York Stock Exchange ("NYSE") under the symbol CAI.B. On May 22, 1996, the last reported sale price of the Class B common stock on the NYSE was \$58.00.

The Convertible Subordinated Debentures are redeemable by Continental, in whole or in part, from time to time, on or after December 1, 1998 at the redemption prices set forth herein. The Convertible Subordinated Debentures may also be redeemed at any time upon the occurrence of a Tax Event (as defined herein). If Continental redeems Convertible Subordinated Debentures, the Trust must redeem Trust Securities on a pro rata basis having an aggregate liquidation amount equal to the aggregate principal amount of the Convertible Subordinated Debentures so redeemed at a redemption price corresponding to the redemption price of the Convertible Subordinated Debentures plus accrued and unpaid distributions thereon (the "Redemption Price") to the date fixed for redemption. See "Description of the Preferred Securities long dash Mandatory Redemption." The Preferred Securities will be redeemed upon maturity of the Convertible Subordinated Debentures.

In addition, the Trust will be dissolved upon the occurrence of a Tax Event arising from a change in law or a change in legal interpretation regarding tax matters, unless the Convertible Subordinated Debentures are redeemed in the limited circumstances described herein. The Trust will also be dissolved upon the occurrence of an Investment Company Event (as defined herein). Upon dissolution of the Trust, the Convertible Subordinated Debentures will be distributed to the holders of the Preferred Securities, on a pro rata basis, in lieu of any cash distribution. See "Description of the Preferred Securities - Tax Event or Investment Company Event Redemption or Distribution." If the Convertible Subordinated Debentures are distributed to the holders of the Preferred Securities, Continental will use its best efforts to have the Convertible Subordinated Debentures listed on the NYSE or on such other exchange as the Preferred Securities are then listed. See "Description of the Preferred Securities - Tax Event or Investment Company Event Redemption or Distribution" and "Description of the Convertible Subordinated Debentures."

In the event of the liquidation, winding up or termination of the Trust, the holders of the Preferred Securities will be entitled to receive for each Preferred Security a liquidation amount of \$50 plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment, unless, in connection with such dissolution, Convertible Subordinated Debentures are distributed to the holders of the Preferred Securities. See "Description of the Preferred Securities - Liquidation Distribution Upon Dissolution."

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the following public reference facilities maintained by the Commission: Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Suite 1300, Seven World Trade Center, New York, New York 10048; and The Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, upon payment of prescribed rates. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Continental is the successor to Continental Airlines Holdings, Inc. ("Holdings"), which merged with and into Continental on April 27, 1993. Holdings had also been subject to the informational requirements of the Exchange Act.

No separate financial statements of the Issuer have been included herein. Continental does not consider that such financial statements would be material to holders of Preferred Securities because (i) all of the voting securities of the Issuer are owned, directly or indirectly, by Continental, a reporting company under the Exchange Act, (ii) the Issuer has no independent operations and exists for the sole purpose of issuing securities representing undivided beneficial interests in the assets of the Issuer and investing the proceeds thereof in the Convertible Subordinated Debentures issued by Continental and (iii) the obligations of the Issuer under the Trust Securities are fully and unconditionally guaranteed by Continental to the extent that the Issuer has funds available to meet such obligations. See "Description of the Convertible Subordinated Debentures" and "Description of the Guarantee."

This Prospectus constitutes a part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by Continental with the Commission under the Securities Act with respect to the securities offered hereby. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to Continental and Holdings and the securities offered hereby. Although statements concerning and summaries of certain documents are included herein, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. These documents may be inspected without charge at the office of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies may be obtained at fees and charges prescribed by the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus:

- (i) Continental's Annual Report on Form 10-K for the year ended

December 31, 1995 (as amended by Forms 10-K/A1 and 10-K/A2 filed on March 8, 1996 and April 10, 1996, respectively), (ii) the description of Class B common stock contained in Continental's registration statement (Registration No.0-21542 on Form 8-A, (iii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and (iv) Continental's Current Reports on Form 8-K, filed on January 31, 1996, March 26, 1996 and May 7, 1996.

All reports and any definitive proxy or information statements filed by Continental pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this Prospectus, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Continental will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950.

RISK FACTORS

PROSPECTIVE PURCHASERS OF THE PREFERRED SECURITIES

SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS AND SHOULD PARTICULARLY CONSIDER THE FOLLOWING MATTERS.

Risk Factors Relating to the Company

Continental's History of Operating Losses

Although Continental recorded net income of \$224 million in 1995 and \$88 million in the three months ended March 31, 1996, it had experienced significant operating losses in the previous eight years. In the long term, Continental's viability depends on its ability to sustain profitable results of operations.

Leverage and Liquidity

Continental has successfully negotiated a variety of agreements to increase its liquidity during 1995 and 1996. Nevertheless, Continental remains more leveraged and has significantly less liquidity than certain of its competitors, several of whom have available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry.

As of March 31, 1996, Continental and its consolidated subsidiaries had approximately \$1.7 billion (including current maturities) of long-term indebtedness and capital lease obligations and had approximately \$702 million of minority interest, preferred securities of trust, redeemable preferred stock and common stockholders' equity. Common stockholders' equity reflects the adjustment of the Company's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with fresh start reporting.

During the first and second quarters of 1995, in connection with negotiations with various lenders and lessors, Continental ceased or reduced contractually required payments under various agreements, which produced a significant number of events of default under debt, capital lease and operating lease agreements. Through agreements reached with the various lenders and lessors, Continental has cured all of these events of default. The last such agreement was put in place during the fourth quarter of 1995.

As of March 31, 1996, Continental had approximately \$657 million of cash and cash equivalents, including restricted cash and cash equivalents of \$124 million. Continental does not have general lines of credit and has no significant unencumbered assets.

Continental has firm commitments with The Boeing Company ("Boeing") to take delivery of 43 new jet aircraft during the years 1998 through 2002. The estimated aggregate cost of these aircraft is \$2.6 billion. In addition, six Beech 1900-D aircraft are scheduled to be delivered later in 1996. The Company currently anticipates that the firm financing commitments available to it with respect to its acquisition of new aircraft from Beech Acceptance Corporation ("Beech") will be sufficient to fund all deliveries scheduled during 1996, and that it will have remaining financing commitments from aircraft manufacturers of \$676 million for jet aircraft deliveries beyond 1996. However, the Company believes that further financing will be needed to satisfy the

remaining amount of such capital commitments. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

For 1996, Continental expects to incur cash expenditures under operating leases of approximately \$586 million, compared with \$521 million for 1995, relating to aircraft and approximately \$229 million relating to facilities and other rentals, the same amount as for 1995. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See " - Regulatory Matters."

Continental and CMI have secured borrowings from GE which aggregated \$373 million as of March 31, 1996. CMI's secured loans contain significant financial covenants, including requirements to maintain a minimum cash balance and consolidated net worth, restrictions on unsecured borrowings and mandatory prepayments on the sale of most assets. These financial covenants limit the ability of CMI to pay dividends to Continental. In addition, Continental's secured loans require Continental to, among other things, maintain a minimum cumulative operating cash flow, a minimum monthly cash balance and a minimum ratio of operating cash flow to fixed charges. Continental also is prohibited generally from paying cash dividends on its capital stock, from purchasing or prepaying indebtedness and from incurring certain additional secured indebtedness.

Aircraft Fuel

Since fuel costs constitute a significant portion of Continental's operating costs (approximately 12.5% for the year ended December 31, 1995 and 12.9% for the three months ended March 31, 1996), significant changes in fuel costs would materially affect the Company's operating results. Fuel prices continue to be susceptible to international events, and the Company cannot predict near or longer-term fuel prices. The Company has entered into petroleum option contracts to provide some short-term protection (currently approximately seven months) against a sharp increase in jet fuel prices. In the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise, higher fuel prices or curtailment of scheduled service could result.

Certain Tax Matters

The Company's United States federal income tax return reflects net operating loss carryforwards ("NOLs") of \$2.5 billion, subject to audit by the Internal Revenue Service, of which \$1.2 billion are not subject to the limitations of Section 382 of the Internal Revenue Code ("Section 382"). As a result, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.2 billion of taxable income following December 31, 1995. For financial reporting purposes, Continental will be required to begin accruing tax expense on its income statement once it has realized an additional \$122 million of taxable income following March 31, 1996. 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. The sale of the Company's common stock in the Secondary Offering (as defined herein) as described under "Recent Developments" will give rise to an increase in percentage ownership by certain stockholders for

this purpose. Based upon the advice of counsel, the Company believes that such percentage increase will not give rise to an ownership change under Section 382 as a result of the Secondary Offering. However, no assurance can be given that future transactions, whether within or outside the control of the Company, will not cause a change in ownership, thereby substantially limiting the potential utilization of the NOLs in a given future year. In the event that an ownership change should occur, utilization of Continental's NOLs would be subject to an annual limitation under Section 382. This Section 382 limitation for any post-change year would be determined by multiplying the value of the Company's stock (including both common and preferred stock) of the time of the ownership change by the applicable long-term tax exempt rate (which is 5.31% for April 1996). Unused annual limitation may be carried over to later years, and the limitation may under certain circumstances be increased by the built-in gains in assets held by the Company at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, Continental's NOL utilization would be limited to a minimum of approximately \$90 million.

In connection with the Company's 1993 reorganization under Chapter 11 of the U.S. bankruptcy code effective April 27, 1993 (the "Reorganization") and the recording of assets and liabilities at fair market value under the American Institute of Certified Public Accountants' Statement of Position 90-7 - "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"), the Company recorded a deferred tax liability at April 27, 1993, net of the amount of the Company's estimated realizable net operating loss carryforwards as required by Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes." Realization of a substantial portion of the Company's net operating loss carryforwards will require the completion during the five-year period following the Reorganization of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company has consummated one such transaction, which had the effect of realizing approximately 40% of the built-in gains required to be realized over the five-year period, and currently intends to consummate one or more additional transactions. If the Company were to determine in the future that not all such transactions will be completed, an adjustment to the net deferred tax liability of up to \$116 million would be charged to income in the period such determination was made.

CMI

CMI's operating profit margins have consistently been greater than the Company's margins overall. In addition to its non-stop service between Honolulu and Tokyo, CMI's operations focus on the neighboring islands of Guam and Saipan, resort destinations that cater primarily to Japanese travelers. Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1993 and 1994 increased CMI's profitability and a decline of the yen against the dollar may be expected to decrease it. To reduce the potential negative impact on CMI's dollar earnings, CMI from time to time purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Any significant and sustained decrease in traffic or

yields to and from Japan could materially adversely affect Continental's consolidated profitability.

Principal Stockholders

After the Secondary Offering which was completed on May 14, 1996 and the conversion by Air Canada of its Class A common stock into Class B common stock, Air Canada holds approximately 10.1% of the common equity interests and 4.0% of the general voting power of the Company, and Air Partners holds approximately 9.9% of the common equity interests and 39.4% of the general voting power of the Company. In addition, assuming exercise of all of the warrants held by Air Partners, approximately 23.4% of the common equity interests and 52.2% of the general voting power would be held by Air Partners. See "Recent Developments."

Various provisions in the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), the Company's bylaws (the "Bylaws") and the Subscription and Stockholders' Agreement among the Company, Air Partners and Air Canada dated as of April 27, 1993 (the "Stockholders' Agreement") currently provide Air Partners and Air Canada with a variety of special rights to elect directors and otherwise affect the corporate governance of the Company; a number of these provisions could have the effect of delaying, deferring or preventing a change in control of the Company. The Company has proposed to eliminate a number of these provisions and will propose for approval by its stockholders the related amendments to the Certificate of Incorporation at its annual meeting of stockholders on June 26, 1996 (the "Annual Meeting"). Air Canada and Air Partners (unless otherwise directed by its investors) have agreed to vote in favor of these amendments at the Annual Meeting. See "Recent Developments."

Industry Conditions and Competition

The airline industry is highly competitive and susceptible to price discounting. The Company has in the past both responded to discounting actions taken by other carriers and initiated significant discounting actions itself. Continental's competitors include carriers with substantially greater financial resources, as well as smaller carriers with lower cost structures. Airline profit levels are highly sensitive to, and during recent years have been severely impacted by, changes in fuel costs, fare levels (or "average yield") and passenger demand. Passenger demand and yields have been adversely affected by, among other things, the general state of the economy, international events and actions taken by carriers with respect to fares. From 1990 to 1993, these factors contributed to the domestic airline industry's incurring unprecedented losses. Although fare levels have increased recently, significant industry-wide discounts could be reimplemented at any time, and the introduction of broadly available, deeply discounted fares by a major United States airline would likely result in lower yields for the entire industry and could have a material adverse effect on the Company's operating results.

The airline industry has consolidated in past years as a result of mergers and liquidations and may further consolidate in the future. Among other effects, such consolidation has allowed certain of Continental's major competitors to expand (in particular) their international operations and increase their market strength. Furthermore, the emergence in recent years of several new carriers, typically with low cost structures, has further increased the competitive pressures on the major United States airlines. In many cases, the new entrants have initiated or triggered price discounting. Aircraft, skilled labor and gates at most airports continue to be readily available to start-up carriers. Although management believes that Continental is better

able than some of its major competitors to compete with fares offered by start-up carriers because of its lower cost structure, competition with new carriers or other low cost competitors on Continental's routes could negatively impact Continental's operating results.

Regulatory Matters

In the last several years, the United States Federal Aviation Administration (the "FAA") has issued a number of maintenance directives and other regulations relating to, among other things, retirement of older aircraft, collision avoidance systems, airborne windshear avoidance systems, noise abatement, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft. The Company expects to continue incurring expenses for the purpose of complying with the FAA's noise and aging aircraft regulations. In addition, several airports have recently sought to increase substantially the rates charged to airlines, and the ability of airlines to contest such increases has been restricted by federal legislation, U.S. Department of Transportation regulations and judicial decisions.

Management believes that the Company benefitted from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995, although the amount of any such benefit resulting directly from the expiration of the ticket tax cannot be determined. Reinstatement of the ticket tax will result in higher costs to consumers, which may have an adverse effect on passenger traffic, revenue and margins. The Company is unable to predict when or in what form the ticket tax may be reenacted.

Additional laws and regulations have been proposed from time to time that could significantly increase the cost of airline operations by imposing additional requirements or restrictions on operations. Laws and regulations have also been considered that would prohibit or restrict the ownership and/or transfer of airline routes or takeoff and landing slots. Also, the availability of international routes to United States carriers is regulated by treaties and related agreements between the United States and foreign governments that are amendable. Continental cannot predict what laws and regulations may be adopted or their impact, but there can be no assurance that laws or regulations currently enacted or enacted in the future will not adversely affect the Company.

Risk Factors Relating to the Preferred Securities

Ranking of Subordinate Obligations Under the Guarantee and Convertible Subordinated Debentures

Continental's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of Continental and pari passu with the most senior preferred stock issued, from time to time, if any, by Continental. The obligations of Continental under the Convertible Subordinated Debentures are subordinate to all present and future Senior Indebtedness of Continental and pari passu with obligations to or rights of Continental's other general unsecured creditors. As of March 31, 1996, Senior Indebtedness aggregated approximately \$1.7 billion. There are no terms in the Preferred Securities, the Convertible Subordinated Debentures or the Guarantee that limit Continental's ability to incur additional indebtedness, including indebtedness that ranks senior to the Convertible Subordinated Debentures and the Guarantee. See "Description of the Guarantee - Status of the Guarantee; Subordination" and "Description of the Convertible Subordinated Debentures - Subordination."

Rights Under the Guarantee

It is expected that at the time the Registration Statement becomes effective under the Securities Act, the Guarantee

will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Wilmington Trust Company will act as indenture trustee under the Guarantee for the purposes of compliance with the Trust Indenture Act (the "Guarantee Trustee"). The Guarantee Trustee will hold the Guarantee for the benefit of the holders of the Preferred Securities.

The Guarantee guarantees to the holders of the Preferred Securities the payment of (i) any accrued and unpaid distributions that are required to be paid on the Preferred Securities, to the extent the Trust has funds available therefor, (ii) the Redemption Price, including all accrued and unpaid distributions with respect to Preferred Securities called for redemption by the Trust, to the extent the Trust has funds available therefor, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Convertible Subordinated Debentures to the holders of Preferred Securities or a redemption of all the Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities to the date of the payment to the extent the Trust has funds available therefor or (b) the amount of assets of the Trust remaining available for distribution to holders of the Preferred Securities in liquidation of the Trust. The holders of a majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee. If the Guarantee Trustee fails to enforce the Guarantee, any holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Guarantee Trustee's rights under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity. If Continental were to default on its obligation to pay amounts payable on the Convertible Subordinated Debentures, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Preferred Securities or otherwise, and, in such event, holders of the Preferred Securities would not be able to rely upon the Guarantee for payment of such amounts. Instead, holders of the Preferred Securities would rely on the enforcement by the Property Trustee (as defined herein) of its rights as registered holder of the Convertible Subordinated Debentures against Continental pursuant to the terms of the Convertible Subordinated Debentures. See "Description of the Guarantee" and "Description of the Convertible Subordinated Debentures." The Declaration (as defined herein) provides that each holder of Preferred Securities, by acceptance thereof, agrees to the provisions of the Guarantee, including the subordination provisions thereof, and the Indenture.

Enforcement of Certain Rights by Holders of Preferred Securities

If a Declaration Event of Default (as defined herein) occurred and were continuing, then the holders of Preferred Securities would rely on the enforcement by the Property Trustee of its rights as a holder of the Convertible Subordinated Debentures against Continental. In addition, the holders of a majority in aggregate liquidation amount of the Preferred Securities will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee to exercise the remedies available to

it as a holder of the Convertible Subordinated Debentures. If the Property Trustee fails to enforce its rights under the Convertible Subordinated Debentures, a holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Property Trustee's rights under the Convertible Subordinated Debentures without first instituting any legal proceeding against the Property Trustee or any other person or entity.

Option to Extend Interest Payment Period

Continental has the right under the Indenture (as defined herein), to defer payments of interest on the Convertible Subordinated Debentures by extending the interest payment period at any time, and from time to time, on the Convertible Subordinated Debentures. As a consequence of such an extension, quarterly distributions on the Preferred Securities would be deferred (but despite such deferral would continue to accrue with interest thereon compounded quarterly) by the Trust during any such extended interest payment period. Such right to extend the interest payment period for the Convertible Subordinated Debentures is limited to a period not exceeding 20 consecutive quarters. During any Extension Period Continental will not (a) declare or pay dividends on, or make a distribution with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock, except for dividends or distributions in shares of its capital stock of the same class on which such dividend or distribution is being made and conversions of common stock of one class into common stock of another class or (b) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by Continental that rank pari passu with or junior to the Convertible Subordinated Debentures (except by conversion into or exchange for shares of its capital stock and except for purchases or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries). Prior to the termination of any Extension Period, Continental may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters and may not extend beyond the maturity of the Convertible Subordinated Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, Continental may commence a new Extension Period, subject to the above requirements. See "Description of the Preferred Securities - Distributions" and "Description of the Convertible Subordinated Debentures long dash Option to Extend Interest Payment Period."

Should Continental exercise its right to defer payments of interest by extending the interest payment period, each holder of Preferred Securities will continue to accrue income (as original issue discount) in respect of the deferred interest allocable to its Preferred Securities for United States federal income tax purposes, which will be allocated but not distributed, to holders of record of Preferred Securities. As a result, each such holder of Preferred Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from the Trust related to such income if such holder disposes of its Preferred Securities prior to the record date for the date on which distributions of such amounts are made. Continental has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Convertible Subordinated Debentures. However,

should
Continental determine to exercise such right in the future, the market price of the Preferred Securities is likely to be affected.

A holder that disposes of its Preferred Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Preferred Securities. In addition, as a result of the existence of Continental's right to defer interest payments, the market price of the Preferred Securities (which represent an undivided beneficial interest in the Convertible Subordinated Debentures) may be more volatile than other securities on which original issue discount accrues that do not have such rights. See "United States Taxation - - - Potential Extension of Interest Payment Period and Original Issue Discount."

Tax Event or Investment Company Event Redemption or Distribution

Upon the occurrence of a Tax Event or Investment Company Event, the Trust shall be dissolved, except in the limited circumstance described below, with the result that the Convertible Subordinated Debentures would be distributed to the holders of the Trust Securities in connection with the liquidation of the Trust. Upon the occurrence of a Tax Event and in certain circumstances, Continental will have the right to redeem the Convertible Subordinated Debentures, in whole and not in part, in lieu of a distribution of the Convertible Subordinated Debentures by the Trust; in which event the Trust will redeem the Trust Securities on a pro rata basis to the same extent as the Convertible Subordinated Debentures are redeemed by Continental. See "Description of the Preferred Securities - Tax Event or Investment Company Event Redemption or Distribution."

Under current United States federal income tax law, a distribution of Convertible Subordinated Debentures upon the dissolution of the Trust would not be a taxable event to holders of the Preferred Securities. Upon occurrence of a Tax Event or Investment Company Event, however, a dissolution of the Trust in which holders of the Preferred Securities receive cash would be a taxable event to such holders. See "United States Taxation long dash Receipt of Convertible Subordinated Debentures or Cash Upon Liquidation of the Trust."

There can be no assurance as to the market prices for the Preferred Securities or the Convertible Subordinated Debentures that may be distributed in exchange for Preferred Securities if a dissolution or liquidation of the Trust were to occur. Accordingly, the Preferred Securities that an investor may purchase, whether pursuant to the offer made hereby or in the secondary market, or the Convertible Subordinated Debentures that a holder of Preferred Securities may receive on dissolution and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby. Because holders of Preferred Securities may receive Convertible Subordinated Debentures upon the occurrence of a Tax Event or Investment Company Event, prospective purchasers of Preferred Securities are also making an investment decision with regard to the Convertible Subordinated Debentures and should carefully review all the information regarding the Convertible Subordinated Debentures contained herein. See "Description of the Preferred Securities long dash Tax Event or Investment Company Event Redemption or Distribution" and "Description of the Convertible Subordinated Debentures - General."

Limited Voting Rights

Generally, holders of the Preferred Securities will not have any voting rights. See "Description of the Preferred

Original Issue Discount

The Preferred Securities may trade at a price that does not fully reflect the value of accrued but unpaid interest with respect to the underlying Convertible Subordinated Debentures. A holder that disposes of its Preferred Securities between record dates for payments of distributions thereon will be required to include accrued but unpaid interest on the Convertible Subordinated

Debentures through the date of disposition in income as ordinary income (i.e., original issue discount), and to add such amount to its adjusted tax basis in its pro rata share of the underlying Convertible Subordinated Debentures deemed disposed of. To the extent the selling price is less than a holder's adjusted tax basis

(which will include, in the form of original issue discount, all accrued but unpaid interest), the holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot

be applied to offset ordinary income for United States federal income tax purposes. See "United States Taxation - Potential Extension of Interest Payment Period and Original Issue Discount" and " - Disposition of Preferred Securities."

Absence of Trading Market

There is no existing trading market for the Preferred Securities and there can be no assurance as to the liquidity of any

such market that may develop, the ability of the holders of Preferred Securities to sell such securities, the price at which the holders of Preferred Securities would be able to sell such securities or whether a trading market, if it develops, will continue. If such a market were to exist, the Preferred Securities

could trade at prices higher or lower than their liquidation amount, depending on many factors, including prevailing interest rates, the market for similar securities and the operating results

of the Company. In the event that the Convertible Subordinated Debentures are distributed by the Trust to the holders of the Preferred Securities, the preceding considerations would be equally

applicable to the Convertible Subordinated Debentures. The Company

intends to apply for listing of the Preferred Securities on the NYSE. See "Description of Preferred Securities - Registration Rights."

CONTINENTAL AIRLINES FINANCE TRUST

The Trust is a statutory business trust formed under Delaware law pursuant to (i) an amended and restated declaration of trust dated as of November 28, 1995 executed by Continental, as sponsor (the "Sponsor"), and the trustees of the Trust (the "Continental Trustees") as amended pursuant to an amendment dated as of May 9, 1996 (the "Declaration"), and (ii) the filing of a certificate of trust with the Secretary of State of the State of Delaware. Upon issuance of the Preferred Securities, the purchasers thereof owned all of the Preferred Securities. See "Description of the Preferred Securities - Book-entry-only Issuance long dash The Depository Trust Company." Continental directly or indirectly acquired Common Securities in an aggregate liquidation amount equal to 3% of the total capital of the Trust. The Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Convertible Subordinated Debentures and (iii) engaging in only those other activities necessary or incidental thereto. The Trust has a term of 35 years, but may terminate earlier as provided in the Declaration.

Pursuant to the Declaration, the number of Continental Trustees is initially three. Two of the Continental Trustees are persons who are employees or officers of, or who are affiliated with, Continental (the "Regular Trustees"). The third trustee is a financial institution that maintains its principal place of business in the state of Delaware and is unaffiliated with Continental, which trustee serves as property trustee under the Declaration and as indenture trustee for the purposes of the Trust Indenture Act (the "Property Trustee"). Wilmington Trust Company, a Delaware banking corporation, is the Property Trustee until removed or replaced by the holder of the Common Securities and acts as indenture trustee under the Guarantee (the "Guarantee Trustee"). See "Description of the Guarantee."

The Property Trustee holds title to the Convertible Subordinated Debentures for the benefit of the holders of the Trust Securities and the Property Trustee has the power to exercise all rights, powers, and privileges under the Indenture (as defined herein) as the holder of the Convertible Subordinated Debentures. In addition, the Property Trustee maintains exclusive control of a segregated non-interest bearing bank account (the "Property Account") to hold all payments made in respect of the Convertible Subordinated Debentures for the benefit of the holders of the Trust Securities. The Property Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities out of funds from the Property Account. The Guarantee Trustee holds the Guarantee for the benefit of the holders of the Preferred Securities. Continental, as the direct or indirect holder of all the Common Securities, has the right to appoint, remove or replace any Continental Trustee and to increase or decrease the number of Continental Trustees; provided that, (i) the number of Continental Trustees shall be at least three and (ii) at least two shall be Regular Trustees. Continental will pay all fees and expenses related to the Trust, the offering of the Trust Securities and the issuance of the Convertible Subordinated Debentures. See "Description of the Convertible Subordinated Debentures - Miscellaneous."

The rights of the holders of the Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the Declaration, the Delaware Business Trust Act (the "Trust Act") and the Trust Indenture Act. See "Description of the Preferred Securities."

The financial statements of the Trust will be consolidated with Continental's financial statements. The Preferred Securities are shown on Continental's consolidated financial statements as a minority interest consisting of Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust. The Convertible Subordinated Debentures are the sole assets of the Trust.

The place of business and the telephone number of the Trust are the principal executive offices and telephone number of Continental. See "The Company."

THE COMPANY

Continental Airlines, Inc. is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles in the first three months of 1996) and, together with its wholly owned subsidiary, Continental Express, Inc. ("Express"), and its 91%-owned subsidiary, Continental Micronesia, Inc. ("CMI"), serves 175 airports worldwide.

The Company operates its route system primarily through domestic hubs at Newark, Houston Intercontinental and Cleveland, and a Pacific hub on Guam and Saipan. Each of Continental's three U.S. hubs is located in a large business and population center, contributing to a high volume of "origin and destination" traffic. The Guam/Saipan hub is strategically located to provide service from Japanese and other Asian cities to popular resort destinations in the western Pacific. Continental is the primary carrier at each of these hubs, accounting for 51%, 78%, 54% and 58% of all daily jet departures, respectively.

Continental directly serves 118 U.S. cities, with additional cities (principally in the western and southwestern United States) connected to Continental's route system under agreements with America West Airlines, Inc. ("America West"). Internationally, Continental flies to 57 destinations and offers additional connecting service through alliances with foreign carriers. Continental operates 52 weekly departures to five European cities and markets service to four other cities through code-sharing agreements. Continental is one of the leading airlines providing service to Mexico and Central America, serving more destinations in Mexico than any other United States airline.

In addition, Continental flies to four cities in South America and plans to commence service between Newark and Bogota, Colombia, with service on to Quito, Ecuador, in June 1996. Through its Guam/Saipan hub, Continental provides extensive service in the western Pacific, including service to more Japanese cities than any other United States carrier.

The Company is a Delaware corporation. Its executive offices are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and its telephone number is (713) 834-2950.

RECENT DEVELOPMENTS

On April 19, 1996, the Company's Board of Directors approved certain agreements (the "Agreements") with its two major stockholders, Air Canada and Air Partners. The Agreements contain a variety of arrangements intended generally to reflect the intention that Air Canada has expressed to the Company of divesting its investment in Continental by early 1997, subject to market conditions. Air Canada has indicated to the Company that its original investment in Continental has become less central to Air Canada in light of other initiatives it has undertaken - particularly expansion within Canada and exploitation of the 1995 Open Skies agreement to expand Air Canada's own flights into the U.S. Because of these initiatives Air Canada has determined it appropriate to redeploy the funds invested in the Company into other uses in Air Canada's business. The Agreements also reflect the recent distribution by Air Partners, effective March 29, 1996, to its investors (the "AP Investors") of all of the shares of the Class B common stock held by Air Partners and the desire of some of the AP Investors to realize the increase in value of their investment in the Company by selling all or a portion of their shares of Class B common stock.

Among other things, the Agreements required the Company to file a registration statement under the Securities Act to permit the sale by Air Canada of 2,200,000 shares of Class B common stock held by it and by certain of the AP Investors of an aggregate of 1,730,240 such shares pursuant to an underwritten public offering arranged by the Company (the "Secondary Offering"). The Secondary Offering was completed on May 14, 1996. The Agreements provide for the following additional steps to be taken in connection with the completion of this offering:

- in light of its then-reduced equity stake in the Company, Air Canada will no longer be entitled to designate nominees to the Board of Directors of the Company, will cause the four present or former members of the Air Canada board who currently serve as directors of Continental to decline nomination for reelection as directors (except in limited circumstances), and will convert all of its Class A common stock to Class B common stock;
- Air Canada and Air Partners have entered into a number of agreements restricting, prior to December 16, 1996, further disposition of the common stock of the Company held by either of them; and
- each of the existing Stockholders' Agreement and the registration rights agreement (the ("Original Registration Rights Agreement") among the parties will be modified in a number of respects to reflect, among other matters, the changing composition of the respective equity interests of the parties.

After such sale and the conversion by Air Canada of its Class A common stock into Class B common stock, Air Canada holds approximately 10.1% of the common equity interests and 4.0% of the general voting power of the Company, and Air Partners holds approximately 9.9% of the common equity interests and 39.4% of the general voting power of the Company. In addition, assuming exercise of all of the warrants held by Air Partners, approximately 23.4% of the common equity interests and 52.2% of the general voting power would be held by Air Partners.

Reflecting the reduction of Air Canada's interest and the decision of the current directors designated by Air Canada not to stand for reelection (except under certain limited circumstances), along with the expiration of various provisions specifically included at the time of the Company's reorganization, Continental's Board of Directors has also approved changes to the Company's Certificate of Incorporation and Bylaws (the "Proposed Amendments") generally eliminating special classes of directors (except for Air Partners' right to elect directors in certain circumstances) and supermajority provisions, and making a variety of other modifications aimed at streamlining the Company's corporate governance structure.

The Proposed Amendments also provide that, at any time after January 1, 1997, shares of Class A common stock would become freely convertible into an equal number of Class B common stock. Under agreements put in place at the time of the Company's reorganization in 1993, and designed in part to ensure compliance with the foreign ownership limitations applicable to United States air carriers in light of the substantial stake in the Company

then held by Air Canada, holders of Class A common stock (other than Air Canada) are not currently permitted under the Company's Certificate of Incorporation to convert their shares to Class B common stock.

In recent periods, the market price of Class A common stock has generally been below the price of Class B common stock, which the Company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of Class A stockholders have requested that the Company provide for free convertibility of Class A common stock into Class B common stock, and in light of the reduction of Air Canada's equity stake, the Company has determined that the restriction is no longer necessary. Any such conversion would effectively increase the relative voting power of those Class B stockholders who do not convert.

The Company and Air Canada also expect to enter into discussions regarding modifications to the Company's existing "synergy" agreements with Air Canada, covering items such as maintenance and ground facilities, with a view to resolving certain outstanding commercial issues under the agreements and otherwise modifying the agreements to reflect Continental's and Air Canada's current needs. The Company has entered into an agreement with Air Partners for the sale by Air Partners to the Company from time to time at Air Partners' election for the one-year period beginning August 15, 1996, of up to an aggregate of \$50 million in intrinsic value (then-current Class B common stock price minus exercise price) of Air Partners' Class B common stock warrants. The purchase price would be payable in cash. The Board of Directors has authorized the Company to publicly issue up to \$50 million of Class B common stock in connection with any such purchase. In connection with this agreement, the Company will reclassify \$50 million from common equity to redeemable warrants.

Because certain aspects of the Agreements raised issues under the change in control provisions of certain of the Company's employment agreements and employee benefit plans, these agreements and plans are being modified to provide a revised change of control definition that the Company believes is appropriate in light of the prospective changes to its equity ownership structure. In connection with the modifications, payments are being made to certain employees, benefits are being granted to certain employees and options equal to 10% of the amount of the options previously granted to each optionee are being granted (subject to certain conditions) to substantially all employees holding outstanding options.

Certain of the Proposed Amendments and employee benefit actions are subject to stockholder approval at the Annual Meeting. Air Canada has delivered an irrevocable proxy in favor of Air Partners, authorizing Air Partners to vote, in its sole discretion, all the shares of common stock beneficially owned, directly or indirectly, by Air Canada as of the record date, April 30, 1996, (approximately 23.6% of the voting power of all voting securities outstanding as of such record date) with respect to the Proposed Amendments and employee benefit actions, among other matters to be voted on by the Company's stockholders. Air Partners has indicated to the Company that it intends to vote all such shares in favor of all such matters and, unless otherwise directed by its investors with respect to the shares of the Company held by Air Partners that are attributable to such investors' respective limited

partnership interests, to vote the shares of common stock held by it as of the record date (approximately 35.7% of the voting power of all voting securities outstanding as of such date) in favor of all such matters. A majority vote of shareholders is required to approve the employee benefit matters; a two-thirds vote is required to approve the Proposed Amendments.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS

The following information for the years ended December 31, 1991 and 1992 and for the period January 1, 1993 through April 27, 1993 relates to Continental's predecessor, Holdings. Information for the period April 28, 1993 through December 31, 1993, for the two years ended December 31, 1994 and 1995, and for the three months ended March 31, 1995 and 1996 relates to Continental. The information as to Continental has not been prepared on a consistent basis of accounting with the information as to Holdings due to Continental's adoption, effective April 27, 1993, of fresh start reporting in accordance with SOP 90-7.

For the years ended December 31, 1991 and 1992, for the periods January 1, 1993 through April 27, 1993 and April 28, 1993 through December 31, 1993, for the year ended December 31, 1994 and for the three months ended March 31, 1995, earnings were not sufficient to cover combined fixed charges and preferred stock dividends. Additional earnings of \$316 million, \$131 million, \$979 million, \$63 million, \$673 million and \$30 million, respectively, would have been required to achieve ratios of earnings to combined fixed charges of 1.0. The ratio of earnings to combined fixed charges and preferred stock dividends for the year ended December 31, 1995 was 1.50. The ratio of earnings to combined fixed charges and preferred stock dividends for the three months ended March 31, 1996 was 1.70. For purposes of calculating this ratio, earnings consist of earnings before taxes, minority interest and extraordinary items plus interest expense (net of capitalized interest), the portion of rental expense deemed representative of the interest expense and amortization of previously capitalized interest. Combined fixed charges and preferred stock dividends consist of preferred stock dividend requirements, interest expense and the portion of rental expense representative of interest expense.

USE OF PROCEEDS

The Selling Holders will receive all of the proceeds from the sale of the Offered Securities. Neither Continental nor the Trust will receive any proceeds from the sale of the Offered Securities.

| | Three Months Ended March 31, | | Year Ended December 31, | |
|--|---------------------------------|---------|----------------------------|---------|
| | 1996 | 1995 | 1995 | 1994 |
| (In millions of dollars, except per share data) | | | | |
| Statement of Operations Data: (unaudited) | | | | |
| Operating Revenue: | | | | |
| Passenger | \$1,375 | \$1,240 | \$5,302 | \$5,036 |
| Cargo, mail and other | 114 | 169 | 523 | 634 |
| | 1,489 | 1,409 | 5,825 | 5,670 |
| Operating Expenses: | | | | |
| Wages, salaries and related costs . . | 364 | 366 | 1,432(1) | 1,532 |

| | | | | |
|---|--------|----------|--------|-----------|
| Aircraft fuel . . . | 177 | 169 | 681 | 741 |
| Aircraft rentals. | 124 | 123 | 497 | 433 |
| Commissions . . . | 126 | 119 | 489 | 439 |
| Maintenance, materials and repairs | 112 | 97 | 429 | 495 |
| Other rentals and landing fees. . . | 84 | 92 | 356 | 392 |
| Depreciation and amortization. . . | 65 | 64 | 253 | 258 |
| Other | 317 | 351 | 1,303 | 1,391 |
| | ----- | ----- | ----- | ----- |
| | 1,369 | 1,381 | 5,440 | 5,681 |
| | ----- | ----- | ----- | ----- |
| Operating Income (Loss) | 120 | 28 | 385 | (11) |
| | ----- | ----- | ----- | ----- |
| Nonoperating Income (Expense): | | | | |
| Interest expense. | (47) | (53) | (213) | (241) |
| Interest capitalized . . . | 1 | 1 | 6 | 17 |
| Interest income. | 9 | 6 | 31 | 23 |
| Gain on System One transactions. . . | - | - | 108 | - |
| Reorganization items, net. . . . | - | - | - | - |
| Other, net. . . . | 12 | (10) | (7) | |
| (439)(2) | | | | |
| | ----- | ----- | ----- | ----- |
| | (25) | (56) | (75) | (640) |
| | ----- | ----- | ----- | ----- |
| Income (Loss) before Income Taxes, Minority Interest and Extraordinary Gain | 95 | (28) | 310 | (651) |
| Net Income (Loss) | \$88 | \$(30) | \$224 | \$(613) |
| Earnings (Loss) per Common and Common Equivalent Share. | \$2.70 | \$(1.21) | \$7.20 | \$(23.76) |
| | ===== | ===== | ===== | ===== |
| Earnings (Loss) per Common Share Assuming Full Dilution | \$2.36 | \$(1.21) | \$6.29 | \$(23.76) |
| | ===== | ===== | ===== | ===== |

| | Period from Reorganization (April 28, 1993 through December 31, 1993) | Period from January 1, 1993 through December 31, 1993 |
|--|--|--|
|--|--|--|

(In millions of dollars,
except per share data)

Statement of
Operations Data:

Operating Revenue:

| | | |
|------------------------------------|---------|---------|
| Passenger | \$3,493 | \$1,622 |
| Cargo, mail and other | 417 | 235 |
| | ----- | ----- |
| | 3,910 | 1,857 |
| | ----- | ----- |

Operating Expenses:

| | | |
|--|-------|-------|
| Wages, salaries and related costs | 1,000 | 502 |
| Aircraft fuel | 540 | 272 |
| Aircraft rentals | 261 | 154 |
| Commissions | 378 | 175 |
| Maintenance, materials and repairs | 363 | 184 |
| Other rentals and landing fees | 258 | 120 |
| Depreciation and amortization | 162 | 77 |
| Other | 853 | 487 |
| | ----- | ----- |
| | 3,815 | 1,971 |
| | ----- | ----- |

Operating Income
(Loss)

| | | |
|--|-------|-------|
| | 95 | (114) |
| | ----- | ----- |

Nonoperating Income
(Expense):

| | | |
|---|-------|-------|
| Interest expense | (165) | (52) |
| Interest capitalized | 8 | 2 |
| Interest income | 14 | - |
| Gain on System One transactions | - | - |
| Reorganization items, net | - | (818) |
| Other, net | (4) | 5 |
| | ----- | ----- |
| | (147) | (863) |
| | ----- | ----- |

Income (Loss)
before Income Taxes,
Minority Interest
and Extraordinary
Gain

| | | |
|--|------|-------|
| | (52) | (977) |
|--|------|-------|

Net Income

| | | |
|------------------|--------|--|
| (Loss) | \$(39) | |
|------------------|--------|--|

\$2,640(3)

Earnings (Loss)

| | | |
|--|----------|--|
| per Common and Common Equivalent Share | \$(2.33) | |
|--|----------|--|

N.M.(4)

=====

Earnings (Loss)
per Common Share

Assuming Full

| | | |
|--------------------|----------|---------|
| Dilution | \$(2.33) | N.M.(4) |
|--------------------|----------|---------|

=====

| | As of March 31, ----- 1996 ----- | As of December 31, ----- 1995 ----- |
|---|--|---|
| Balance Sheet Data: | | |
| | (In millions of dollars) (unaudited) | |
| Cash and Cash Equivalents, including restricted Cash and Cash Equivalents of \$124 and \$144, respectively(5). | \$657 | \$747 |
| Other Current Assets | 655 | 568 |
| Total Property and Equipment, Net. | 1,410 | 1,461 |
| Routes, Gates and Slots, Net | 1,517 | 1,531 |
| Other Assets, Net. | 507 | 514 |
| | ----- | ----- |
| Total Assets. | \$4,746 ===== | \$4,821 ===== |
| Current Liabilities. | 2,040 | \$1,984 |
| Long-term Debt and Capital Leases. | 1,462 | 1,658 |
| Deferred Credits and Other Long-term Liabilities. | 542 | 564 |
| Minority Interest. | 28 | 27 |
| Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust(6). | 242 | 242 |
| Redeemable Preferred Stock | 42 | 41 |
| Common Stockholders' Equity. | 390 | 305 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity. | \$4,746 ===== | \$ 4,821 ===== |

-
- (1) Includes a \$20 million cash payment in 1995 by the Company in connection with a 24-month collective bargaining agreement entered into by the Company and the Independent Association of Continental Pilots.
 - (2) Includes a provision of \$447 million recorded in the fourth quarter of 1994 associated with the planned early retirement of certain aircraft and closed or underutilized airport and maintenance facilities and other assets.
 - (3) Reflects a \$3.6 billion extraordinary gain from extinguishment of debt.
 - (4) Historical per share data for Holdings is not meaningful since the Company has been recapitalized and has adopted fresh start reporting as of April 27, 1993.
 - (5) Restricted cash and cash equivalents agreements relate primarily to workers' compensation claims and the terms of certain other agreements. In addition, CMI is required by its loan agreement with GE to maintain certain minimum cash balances and net worth levels, which effectively restrict the amount of cash available to Continental from CMI.
 - (6) The sole assets of the Trust are convertible debentures which are expected to be repaid by 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Trust will be mandatorily redeemed.

DESCRIPTION OF THE PREFERRED SECURITIES

The following summary of certain material terms and provisions of the Preferred Securities does not purport to be complete, and reference is made to the Declaration filed as an exhibit to the Registration Statement. The Preferred Securities were issued pursuant to the terms of the Declaration. The Declaration incorporates by reference terms of The Trust Indenture Act. The Declaration will be qualified under the Trust Indenture Act. Wilmington Trust Company, as Trustee, acts as Indenture Trustee for the Declaration for purposes of compliance with the Trust Indenture Act. Capitalized terms not otherwise defined herein have the meanings assigned to them in the Declaration.

General

The Declaration authorizes the Regular Trustees to issue on behalf of the Trust the Trust Securities, which represent undivided beneficial interests in the assets of the Trust. All of the Common Securities are owned, directly or indirectly, by Continental. The Common Securities rank *pari passu*, and payments will be made thereon on a *pro rata* basis, with the Preferred Securities, except that upon the occurrence of a Declaration Event of Default (as defined herein), the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights of the holders of the Preferred Securities. The Declaration does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Declaration, the Property Trustee owns the Convertible Subordinated Debentures purchased by the Trust for the benefit of the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Preferred Securities or liquidation of the Trust, are guaranteed by Continental to the extent described under "Description of the Guarantee." The Guarantee is held by Wilmington Trust Company, as Guarantee Trustee, for the benefit of the holders of the Preferred Securities. The Guarantee does not cover payment of distributions when the Trust does not have sufficient funds to pay such distributions.

Distributions

Distributions on the Preferred Securities are fixed at a rate per annum of 8 1/2% of the stated liquidation amount of \$50 per Preferred Security. Distributions in arrears for more than one quarter will bear interest thereon at the rate per annum of 8 1/2% thereof compounded quarterly. The term "distribution" as used herein includes any such interest payable plus any Additional Interest or Liquidated Damages (each as defined herein) paid on the Convertible Subordinated Debentures unless otherwise stated. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Distributions on the Preferred Securities will be cumulative, will accrue from November 28, 1995, and will be payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1996, when, as and if available for payment. Distributions will be made by the Property Trustee, except as otherwise described below.

Continental has the right under the Indenture to defer payments of interest on the Convertible Subordinated Debentures by

extending the interest payment period thereon, which right, if exercised, would defer quarterly distributions on the Preferred Securities (though such distributions would continue to accrue with interest since interest would continue to accrue on the Convertible Subordinated Debentures) during any such Extension Period. Such right to extend the interest payment period for the Convertible Subordinated Debentures is limited to periods not exceeding 20 consecutive quarters. In the event that Continental exercises this right, Continental will not, subject to certain exceptions, declare or pay dividends on or make distributions with respect to any of its capital stock, or make any payment on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Convertible Subordinated Debentures. See "Description of the Convertible Subordinated Debentures - Certain Covenants." Prior to the termination of any such Extension Period, Continental may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters and may not extend beyond the maturity of the Convertible Subordinated Debentures. Upon the termination of any Extension Period and the payment of all amounts then due, Continental may select a new Extension Period, subject to the above requirements. See "Description of the Convertible Subordinated Debentures long dash Interest" and " - Option to Extend Interest Payment Period." If distributions are deferred, the deferred distributions and accrued interest thereon will be paid to holders of record of the Preferred Securities as they appear on the books and records of the Trust on the record date next following the termination of such deferral period.

Distributions on the Preferred Securities must be paid on the dates payable to the extent that the Trust has funds available for the payment of such distributions in the Property Account (as defined herein). The Trust's funds available for distribution to the holders of the Preferred Securities will be limited to payments received from Continental on the Convertible Subordinated Debentures. See "Description of the Convertible Subordinated Debentures." The payment of distributions out of moneys held by the Trust is guaranteed by Continental to the extent set forth under "Description of the Guarantee."

Distributions on the Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be fifteen calendar days prior to the relevant payment dates. Such distributions will be paid through the Property Trustee who will hold amounts received in respect of the Convertible Subordinated Debentures in the Property Account for the benefit of the holders of the Trust Securities. Subject to any applicable laws and regulations and the provisions of the Declaration, each such payment will be made as described under "Book-entry-only Issuance - - - The Depository Trust Company" below. In the event that any date on which distributions are to be made on the Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such record date. A "Business Day" shall mean any day other than Saturday, Sunday or any other day on which banking institutions in the City of New York or Wilmington,

Delaware are permitted or required by any applicable law to close.

Conversion Rights

General

Preferred Securities will be convertible at any time, at the option of the holder thereof and in the manner described below, into shares of Class B common stock at an initial conversion rate of 1.034 shares of Class B common stock for each Preferred Security (equivalent to a conversion price of \$48.36 per share of Class B common stock), subject to adjustment as described under " - Conversion Price Adjustments" below. A holder of a Preferred Security wishing to exercise its conversion right shall deliver an irrevocable conversion notice, together, if the Preferred Security is a Certificated Security (as defined herein), with such Certificated Security, to the Conversion Agent, Wilmington Trust Company, which shall, on behalf of such holder, exchange such Preferred Security for a portion of the Convertible Subordinated Debentures and immediately convert such Convertible Subordinated Debentures into Class B common stock. Holders may obtain copies of the required form of the conversion notice from the Conversion Agent.

Holders of Preferred Securities at the close of business on a distribution record date will be entitled to receive the distribution payable on such Preferred Securities on the corresponding distribution payment date notwithstanding the conversion of such Preferred Securities following such distribution record date but prior to such distribution payment date. Except as provided in the immediately preceding sentence, neither the Issuer nor Continental will make, or be required to make, any payment, allowance or adjustment for accumulated and unpaid distributions, whether or not in arrears, on converted Preferred Securities. Continental will make no payment or allowance for distributions on the shares of Class B common stock issued upon such conversion, except to the extent that such shares of Class B common stock are held of record on the record date for any such distributions. Each conversion will be deemed to have been effected immediately prior to the close of business on the day on which the related conversion notice was received by the Conversion Agent.

No fractional shares will be issued upon conversion of Preferred Securities, but if such conversion results in a fraction, an amount will be paid in cash by Continental equal to the Current Market Price (as defined herein) of the fractional share of the Class B common stock. If more than one Preferred Security is surrendered for conversion at one time by the same holder, the number of full shares of the Class B common stock which shall be issuable on conversion thereof shall be computed on the basis of the aggregate number of Preferred Securities so surrendered.

Conversion Price Adjustments - General

The conversion price will be subject to adjustment in certain events including, without duplication: (i) the issuance of shares of any class of Continental common stock as a stock dividend; (ii) the subdivision, combination or reclassification of any class of Continental common stock; (iii) the issuance to all holders of any class of Continental common stock of rights or warrants entitling them (within a 45 calendar-day period) to subscribe for or purchase shares of Continental common stock at less than the Current Market Price (determined as of the record

date for stockholders entitled to receive such rights or warrants);
(iv) the payment of any dividend or distribution to holders of any class of Continental common stock other than (a) dividends described in (i) above, (b) any rights or warrants described in (iii) above and (c) any other dividends or distributions made solely in cash, if the per share amount thereof, when added to the per share amount of other distributions made within the preceding 12 months (other than those distributions that resulted in a conversion price adjustment and certain other exceptions), does not exceed 15% of the average of the Current Market Price per share of Class B common stock for 20 consecutive trading days ending not more than ten days prior to the date of declaration of such dividend or distribution; and (v) payments to holders of any class of Continental common stock in respect of a tender or exchange offer (other than an odd-lot offer) by Continental or any subsidiary of Continental for Continental common stock at a price in excess of 110% of the Current Market Price per share as of the trading day next succeeding the last date tenders or exchanges may be made pursuant to such tender or exchange offer. No adjustment in the conversion price will be required unless such adjustment would require a change of at least 1% in the conversion price then in effect; provided, however, that any adjustment that would otherwise be required to be made shall be carried forward and taken into account in determining whether any subsequent adjustment is required.

The term "Current Market Price" of any class of Continental common stock for any day means the reported last sale price, regular way, on such day, or, if no sale takes place on such day, the average of the reported closing bid and asked prices on such day, regular way, in either case as reported on the NYSE Composite Tape, or, if such class of Continental common stock is not then listed or admitted to trading on the NYSE, on the principal national securities exchange on which such class of Continental common stock is listed or admitted to trading, or if such class of Continental common stock is not listed or admitted to trading on a national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc., or, if such class of Continental common stock is not quoted or admitted to trading on such quotation system, on the principal quotation system on which such class of Continental common stock is listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing bid and asked prices of such class of Continental common stock in the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or, if not so available in such manner, as furnished by any NYSE member firm selected from time to time by the Board of Directors of Continental for that purpose or, if not so available in such manner, as otherwise determined in good faith by such Board of Directors.

Continental from time to time may reduce the conversion price of the Convertible Subordinated Debentures (and thus the conversion price of the Preferred Securities) by any amount selected by Continental for any period of at least 20 days, in which case Continental shall give at least 15 days notice of such reduction. Continental may, at its option, make such reductions in the conversion price, in addition to those set forth above, as the Board of Directors deems advisable to avoid or diminish any

income tax to holders of Class B common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. See "United States Taxation - Adjustment of the Conversion Price."

No adjustment of the conversion price will be made upon the issuance of any shares of Class B common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of Continental and the investment of additional optional amounts in shares of Class B common stock under any such plan or the issuance of any shares of common stock or options or rights to purchase such shares pursuant to any present or future employee, director or consultant benefit plan or program of Continental or pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the Preferred Securities are first issued. There shall also be no adjustment of the conversion price in case of the issuance of any Continental common stock (or securities convertible into or exchangeable for Continental common stock), except as specifically described above. If any action would require adjustment of the conversion price pursuant to more than one of the anti-dilution provisions, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value to holders of the Preferred Securities.

Conversion Price Adjustments - Merger, Consolidation Or Sale Of Assets Of Continental

In case of any (i) consolidation or merger of Continental with or into any other entity (other than a consolidation or merger in which Continental is the surviving entity), (ii) sale, transfer, lease or conveyance of all or substantially all of the assets of Continental, (iii) reclassification, capital reorganization or change of the Class B common stock (other than solely a change in par value, or from par value to no par value), or (iv) consolidation or merger of another entity into the Company in which there is a reclassification or change of the Class B common stock (other than solely a change in par value, or from par value to no par value), then any holder of the Preferred Securities will be entitled, on or after the occurrence of any such event, to receive on conversion of the Preferred Securities the kind and amount of shares of stock or other securities, cash or other property (or any combination thereof) which the holder would have received had such holder converted such holder's Preferred Securities immediately prior to the occurrence of such event. If the consideration into which the Preferred Securities are convertible following any such event consists of Class B common stock or common stock of the surviving entity (as the case may be), then from and after the occurrence of such event the conversion price for each Preferred Security into such common stock shall be subject to the same anti-dilution and other adjustments described under " - Conversion Price Adjustments - General" above, applied as if such common stock were Class B common stock. In addition, the Board is authorized, in its discretion, to make such adjustments to the conversion provisions applicable to the Convertible Subordinated Debentures as may be necessary to protect the intended rights of the holders of Preferred Securities.

Conversion price adjustments or omissions in making such adjustments may, under certain circumstances, be deemed to be

distributions that could be taxable as dividends to holders of Preferred Securities or to the holders of the Class B common stock.

See "United States Taxation."

Optional Redemption

Continental is permitted to redeem the Convertible Subordinated Debentures in whole or in part, from time to time, after December 1, 1998, upon not less than 30 nor more than 60 days

notice. See "Description of the Convertible Subordinated Debentures

- - - Optional Redemption." Upon any redemption in whole or in part of the Convertible Subordinated Debentures at the option of Continental, the Issuer will, to the extent of the proceeds of such

redemption, redeem Preferred Securities and Common Securities at the Redemption Price.

Mandatory Redemption

The Convertible Subordinated Debentures will mature on December 1, 2020. Upon the repayment of the Convertible Subordinated Debentures, whether at maturity or upon redemption, the proceeds from such repayment or redemption shall simultaneously

be applied to redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Convertible Subordinated Debentures so repaid or redeemed at the Redemption Price. Holders of Trust Securities shall be given not less than 30 nor more than 60 days' notice of such redemption.

Tax Event Or Investment Company Event Redemption Or Distribution

If a Tax Event (as defined herein) occurs and is continuing, Continental will cause the Regular Trustees to liquidate the Issuer and cause Convertible Subordinated Debentures

to be distributed to the holders of the Preferred Securities in liquidation of the Issuer within 90 days following the occurrence of such Tax Event; provided, however, that such liquidation and distribution will be conditioned on (i) the Regular Trustees' receipt of an opinion of nationally recognized independent tax counsel (reasonably acceptable to the Regular Trustees) experienced

in such matters (a "No Recognition Opinion"), which opinion may rely on published revenue rulings of the Internal Revenue Service,

to the effect that the holders of the Preferred Securities will not recognize any income, gain or loss for United States federal income

tax purposes as a result of such liquidation and distribution of Convertible Subordinated Debentures and (ii) Continental's being unable to avoid such Tax Event within such 90-day period by taking

some ministerial action or pursuing some other reasonable measure that, in the sole judgment of Continental, will have no adverse effect on the Issuer, Continental or the holders of the Preferred Securities and will involve no material cost. Furthermore, if (i) Continental has received an opinion (a "Redemption Tax Opinion") of

nationally recognized independent tax counsel (reasonably acceptable to the Regular Trustees) experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that Continental would be precluded from deducting the interest on the Convertible Subordinated Debentures for United States federal income tax purposes, even after the Convertible Subordinated Debentures were distributed to the holders

of the Preferred Securities upon liquidation of the Issuer as described above or (ii) the Regular Trustees shall have been informed by such tax counsel that it cannot deliver a No Recognition Opinion, Continental will have the right upon not less

than 30 nor more than 60 days' notice and within 90 days following

the occurrence of the Tax Event, to redeem the Convertible Subordinated Debentures, in whole (but not in part) for cash, at par plus accrued and unpaid interest (including any Additional

Interest, Compounded Interest and Liquidated Damages) and, following such redemption, all the Preferred Securities will be redeemed by the Issuer at the liquidation amount of \$50 per Preferred Security plus accrued and unpaid distributions; provided, however, that if, at the time there is available to Continental or the Issuer the opportunity to eliminate, within such 90-day period, the Tax Event by taking some ministerial action or pursuing some other reasonable measure that, in the sole judgment of Continental, will have no adverse effect on the Issuer, Continental or the holders of the Preferred Securities and will involve no material cost, the Issuer or Continental will pursue such measure in lieu of redemption. See " - Mandatory Redemption." In lieu of the foregoing options, Continental also will have the option of causing the Preferred Securities to remain outstanding and paying Additional Interest (as defined herein) on the Convertible Subordinated Debentures. See "Description of the Convertible Subordinated Debentures - Additional Interest."

"Tax Event" means that the Regular Trustees shall have obtained an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after the Original Offering Date), which amendment or change is effective or which interpretation or pronouncement is announced on or after the Original Offering Date, there is more than an insubstantial risk that (i) the Issuer is or will be subject to United States federal income tax with respect to interest accrued or received on the Convertible Subordinated Debentures, (ii) interest payable to the Issuer on the Convertible Subordinated Debentures is not or will not be deductible by Continental in whole or in part for United States federal income tax purposes or (iii) the Issuer is or will be subject to more than a de minimis amount of other taxes, duties, assessments or other governmental charges.

If an Investment Company Event (as defined herein) shall occur and be continuing, Continental shall cause the Regular Trustees to liquidate the Issuer and cause the Convertible Subordinated Debentures to be distributed to the holders of the Preferred Securities in liquidation of the Issuer within 90 days following the occurrence of such Investment Company Event.

The distribution by Continental of the Convertible Subordinated Debentures will effectively result in the cancellation of the Preferred Securities.

"Investment Company Event" means that the Regular Trustees shall have obtained an opinion from independent counsel experienced in practice under the Investment Company Act of 1940, as amended (the "1940 Act"), to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), there is more than an insubstantial risk that the Issuer is or will be considered an investment company which is required to be registered under the 1940 Act", which Change in 1940 Act Law becomes effective on or

after the Original Offering Date.

After the date fixed for any distribution of Convertible Subordinated Debentures, (i) the Preferred Securities will no longer be deemed to be outstanding, (ii) DTC (the "Depository") or its nominee, as the record holder of the Global Certificates, will receive a registered global certificate or certificates representing the Convertible Subordinated Debentures to be delivered upon such distribution and (iii) any certificates representing Preferred Securities not held by DTC or its nominee will be deemed to represent Convertible Subordinated Debentures having a principal amount equal to the aggregate of the stated liquidation amount of such Preferred Securities, with accrued and unpaid interest equal to the amount of accrued and unpaid distributions on such Preferred Securities, until such certificates are presented to Continental or its agent for transfer or reissuance.

Redemption Procedures

The Trust may not redeem fewer than all of the outstanding Preferred Securities unless all accrued and unpaid distributions have been paid on all Preferred Securities for all quarterly distribution periods terminating on or prior to the date of redemption.

If the Trust gives a notice of redemption in respect of Preferred Securities (which notice will be irrevocable), and if Continental has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Convertible Subordinated Debentures, then, by 12:00 noon, New York City time, on the redemption date, the Trust will irrevocably deposit with the Depository funds sufficient to pay the applicable Redemption Price and will give the Depository irrevocable instructions and authority to pay the Redemption Price to the holders of the Preferred Securities. See " - Book-entry-only Issuance - The Depository Trust Company." If notice of redemption shall have been given and funds deposited as required, then, immediately prior to the close of business on the date of such deposit, distributions will cease to accrue and all rights of holders of such Preferred Securities so called for redemption will cease, except the right of the holders of such Preferred Securities to receive the Redemption Price but without interest on such Redemption Price. In the event that any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Trust, or by Continental pursuant to the Guarantee, distributions on such Preferred Securities will continue to accrue at the then applicable rate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

In the event that fewer than all of the outstanding Preferred Securities are to be redeemed, the Preferred Securities will be redeemed pro rata as described below under " - Book-entry-only Issuance - The Depository Trust Company."

In the event of any redemption in part, the Trust shall not be required to (i) issue, register the transfer of or exchange any Certificated Security during a period beginning at the opening of business 15 days before any selection for redemption of Preferred Securities and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all holders of Preferred Securities to be so redeemed or (ii) register the transfer of or exchange any Certificated Securities so selected for redemption, in whole or in part, except for the unredeemed portion of any Certificated Securities being redeemed in part.

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), Continental or its subsidiaries may at any time, and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Liquidation Distribution Upon Dissolution

In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Liquidation"), the then holders of the Preferred Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, distributions in an amount equal to the aggregate of the stated liquidation amount of \$50 per Preferred Security plus accrued and unpaid distributions thereon to the date of payment (the "Liquidation Distribution"), unless, in connection with such Liquidation, Convertible Subordinated Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest (including any Additional Interest, Compounded Interest and Liquidated Damages) equal to accrued and unpaid distributions on, the Preferred Securities have been distributed on a pro rata basis to the holders of the Preferred Securities.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Preferred Securities shall be paid on a pro rata basis. The holders of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Preferred Securities, except that if a Declaration Event of Default (as defined herein) has occurred and is continuing, the Preferred Securities shall have a preference over the Common Securities with regard to such distributions.

Pursuant to the Declaration, the Trust shall terminate (i) on December 1, 2030, (ii) upon the bankruptcy of Continental or the holder of the Common Securities, (iii) upon the filing of a certificate of dissolution or its equivalent with respect to the holder of the Common Securities or Continental, the filing of a certificate of cancellation with respect to the Trust, or the revocation of the charter of the holder of the Common Securities or Continental and the expiration of 90 days after the date of revocation without a reinstatement thereof, (iv) upon the distribution of all of the Convertible Subordinated Debentures upon the occurrence of a Special Event, (v) upon the entry of a decree of a judicial dissolution of the holder of the Common Securities, Continental or the Trust or (vi) upon the redemption of all the Trust Securities.

Merger, Consolidation Or Amalgamation Of The Issuer

The Issuer may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its

properties and assets substantially as an entirety to any corporation or other entity or person, except as described below. The Issuer may, without the consent of the holders of the Preferred

Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge with or into, or be replaced by, a trust organized as such under the laws of any state of the United States of America or of the District of Columbia; provided, however, that (i) if the Issuer is not the survivor, such successor

entity either (x) expressly assumes all of the obligations of the Issuer under the Trust Securities or (y) substitutes for the Preferred Securities other securities having substantially the same

terms as the Preferred Securities (the "Successor Securities") as long as the Successor Securities rank, with respect to participation in the profits and distributions or in the assets of

the successor entity, at least as high as the Preferred Securities

rank with respect to participation in the profits and dividends or

in the assets of the Issuer, (ii) Continental expressly acknowledges a trustee of such successor entity that possesses the

same powers and duties as the Property Trustee as the holder of the

Convertible Subordinated Debentures, (iii) the Preferred Securities

or any Successor Securities are listed, or any Successor Securities

will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed or quoted, (iv) such merger,

consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating

organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Preferred Securities (including any Successor Securities) in any material respect (other than

with respect to any dilution of the holders' interest in the successor

entity), (vi) such successor entity has a purpose substantially identical to that of the Issuer, (vii) Continental provides a

guarantee to the holders of the Successor Securities with respect to such successor entity having substantially the same terms as the

Preferred Securities Guarantee and (viii) prior to such merger, consolidation, amalgamation or replacement, Continental has

received an opinion of nationally recognized independent counsel (reasonably acceptable to the Property Trustee) to the Issuer

experienced in such matters to the effect that (x) such successor entity will be treated as a grantor trust for United States

federal

income tax purposes, (y) following such merger, consolidation, amalgamation or replacement, neither Continental nor such

successor

entity will be required to register as an investment company under

the 1940 Act and (z) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and

privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect (other than with

respect to any dilution of the holders' interest in the new entity). Notwithstanding the foregoing, the Issuer shall not,

except with the consent of holders of 100% in liquidation amount of

the Common Securities, consolidate, amalgamate, merge with or into,

or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if

such consolidation, amalgamation, merger or replacement would cause the

Issuer or the Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.

Declaration Events of Default

An event of default under the Indenture (an "Indenture

Event of Default") constitutes an event of default under the Declaration with respect to the Trust Securities (a "Declaration Event of Default"); provided, however, that pursuant to the Declaration, the holder of the Common Securities will be deemed to have waived any Declaration Event of Default with respect to the Common Securities until all Declaration Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated. Until such Declaration Events of Default with respect to the Preferred Securities have been so cured, waived, or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Preferred Securities and only the holders of the Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Declaration, and therefore the Indenture.

Upon the occurrence of a Declaration Event of Default, the Property Trustee, as the sole holder of the Convertible Subordinated Debentures, will have the right under the Indenture to declare the principal of and interest on the Convertible Subordinated Debentures to be immediately due and payable. Continental and the Trust are each required to file annually with the Property Trustee an officer's certificate as to its compliance with all conditions and covenants under the Declaration.

Voting Rights

Except as described herein, under the Trust Act and under "Description of the Guarantee - Amendments and Assignment" and as otherwise required by law and the Declaration, the holders of the Preferred Securities will have no voting rights. In the event that Continental elects to defer payments of interest on the Convertible Subordinated Debentures as described above under "long dash Distributions," the holders of the Preferred Securities do not have the right to appoint a special representative or trustee or otherwise to protect their interest.

The holders of a majority in aggregate liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration including the right to direct the Property Trustee, as holder of the Convertible Subordinated Debentures, to (i) exercise the remedies available under the Indenture with respect to the Convertible Subordinated Debentures, (ii) waive any past Indenture Event of Default that is waivable under the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Convertible Subordinated Debentures shall be due and payable or (iv) consent to any amendments, modification or termination of the Indenture or the Convertible Subordinated Debentures requiring the consent of the holders of the Convertible Subordinated Debentures; provided, however, that where a consent or action under the Indenture would require the consent or act of more than a majority of the holders (a "Super-Majority") affected thereby, only the holders of at least such Super-Majority of the Preferred Securities may direct the Property Trustee to give such consent or take such action. If the Property Trustee fails to enforce its rights under the Convertible Subordinated Debentures after a holder of Preferred Securities shall have made a written request, a record holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Property Trustee's rights under the Convertible Subordinated

Debentures without first instituting any legal proceeding against the Property Trustee or any other person or entity. The Property Trustee shall notify all holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Convertible Subordinated Debentures. Such notice shall state that such Indenture Event of Default also constitutes a Declaration Event of Default. The Property Trustee shall not take any of the actions described in clauses (i), (ii), (iii) or (iv) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that, as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and each holder of Trust Securities will be treated as owning undivided beneficial interests in the Convertible Subordinated Debentures.

In the event the consent of the Property Trustee, as the holder of the Convertible Subordinated Debentures, is required under the Indenture with respect to any amendment, modification or termination of the Indenture, the Property Trustee shall request the direction of the holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of a Super-Majority, the Property Trustee may only give such consent at the direction of the holders of at least the proportion in liquidation amount of the Trust Securities which the relevant Super-Majority represents of the aggregate principal amount of the Convertible Subordinated Debentures outstanding. The Property Trustee shall be under no obligation to take any such action in accordance with the directions of the holders of the Trust Securities unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income taxation the Trust will not be classified as other than a grantor trust.

A waiver of an Indenture Event of Default will constitute a waiver of the corresponding Declaration Event of Default.

Any required approval or direction of holders of Preferred Securities may be given at a separate meeting of holders of Preferred Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to written consent. The Regular Trustee will cause a notice of any meeting at which holders of Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Preferred Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Preferred Securities will be required for the Trust to redeem and cancel Preferred Securities or distribute Convertible Subordinated Debentures in accordance with the Declaration.

Notwithstanding that holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned at such time by Continental or any entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, Continental, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Preferred Securities were not outstanding.

The procedures by which holders of Preferred Securities may exercise their voting rights are described below. See "long dash Book-entry-only Issuance - The Depository Trust Company" below.

Holders of the Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by Continental as the indirect or direct holder of all of the Common Securities.

Modification of the Declaration

The Declaration may be modified and amended if approved by the Regular Trustees (and in certain circumstances the Property Trustee), provided that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust other than pursuant to the terms of the Declaration, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least 66 2/3% in liquidation amount of the Trust Securities affected thereby; provided, however, that if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of 66 2/3% in liquidation amount of such class of Trust Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Declaration if such amendment or modification would (i) cause the Trust to be classified for purposes of United States federal income taxation as other than a grantor trust, (ii) reduce or otherwise adversely affect the powers of the Property Trustee or (iii) cause the Trust to be deemed an "investment company" which is required to be registered under the 1940 Act.

Registration Rights

In connection with the Original Offering, the Company and the Issuer entered into a registration rights agreement with the Initial Purchasers dated November 28, 1995 (the "Registration Rights Agreement") pursuant to which the Company and the Trust agreed, at the Company's expense, for the benefit of the holders of the Preferred Securities, the Guarantee, the Convertible Subordinated Debentures and the shares of Class B common stock issuable upon conversion thereof (together, the "Registrable Securities"), to (i) file with the Commission within 180 days after the Original Offering Date the Registrable Securities, a registration statement (the "Shelf Registration Statement") covering resales of the Registrable Securities, (ii) use their best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act within 60 days after the date

of filing of the Shelf Registration Statement and (iii) use their best efforts to keep effective the Shelf Registration Statement until three years after the date it is declared effective or such earlier date as all Registrable Securities shall have been disposed of or on which all Registrable Securities held by persons that are not affiliates of Continental or the Trust may be resold without registration pursuant to Rule 144(k) under the Securities Act (the "Effectiveness Period"). The Company agreed to provide to each holder of Registrable Securities copies of the prospectus which is a part of the Shelf Registration Statement, notify each holder when the Shelf Registration Statement has become effective and take certain other actions as are required to permit unrestricted resales of the Registrable Securities. A holder of Registrable Securities that sells such Registrable Securities pursuant to the Shelf Registration Statement will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement, including certain indemnification obligations.

If (i) by May 27, 1996, a Shelf Registration Statement has not been filed with the Commission, or (ii) on or prior to the 60th day following the filing of such Shelf Registration Statement, such Shelf Registration Statement has not been declared effective (each, a "Registration Default"), additional interest ("Liquidated Damages") will accrue on the Convertible Subordinated Debentures and, accordingly, additional distributions will accrue on the Preferred Securities, in each case from and including the day following such Registration Default. Liquidated Damages will be paid quarterly in arrears, with the first quarterly payment due on the first interest or distribution payment date, as applicable, following the date on which such Liquidated Damages begin to accrue, and will accrue at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the principal amount or liquidation amount, as applicable, to and including the 90th day following such Registration Default and one-half of one percent (0.50%) thereof from and after the 91st day following such Registration Default. In the event that the Shelf Registration Statement ceases to be effective during the Effectiveness Period for more than 60 days, whether or not consecutive, during any 12-month period then the interest rate borne by the Convertible Subordinated Debentures and the distribution rate borne by the Preferred Securities will each increase by an additional one-half of one percent (0.50%) per annum from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement gain becomes effective.

Continental and the Trust agreed in the Registration Rights Agreement to use their best efforts to cause the Preferred Securities and Class B common stock issuable upon conversion of the Convertible Subordinated Debentures to be listed on the New York Stock Exchange upon effectiveness of the Shelf Registration Statement.

This summary of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, a copy of the form of which will be made available to prospective investors in the Preferred Securities upon request to the Company.

The description of book-entry procedures in this Prospectus includes summaries of certain rules and operating procedures of DTC that affect transfers of interests in the global certificate or certificates issued in connection with sales of Preferred Securities made pursuant to this Prospectus. The Preferred Securities were issued only as fully registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully registered global Preferred Security certificates (the "Global Certificates") were issued, representing, in the aggregate, Preferred Securities sold pursuant to this Prospectus, and were deposited with DTC. In the event of a transfer of securities which were issued in fully registered, certificated form, the holder of such certificates will be required to exchange them for interests in the Global Certificates representing the number of Preferred Securities being transferred.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Preferred Securities within the DTC system must be made by or through Participants, which will receive a credit for the Preferred Securities on DTC's records. The ownership interest of each actual purchaser of Preferred Securities (the "Beneficial Owner") is in turn to be recorded on the Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participants or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Preferred Securities are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Securities, except in the event that use of the book-entry system for the Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Preferred Securities; DTC's records reflect only the identity of the Participants to whose accounts such Preferred Securities are credited, which may or may not be the Beneficial Owners. The Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as DTC, or its nominee, is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Preferred Securities represented thereby for all purposes under the Declaration and the Preferred Securities. No beneficial owner of an interest in a Global Certificate will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Declaration.

Transfers between Participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. If a holder requires physical delivery of a Certificated Security for any reason, including to sell Preferred Securities to persons in states which require such delivery of such Preferred Securities or to pledge such Preferred Securities, such holder must transfer its interest in the Global Certificate in accordance with the normal procedures of DTC and the procedures set forth in the Declaration.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Preferred Securities (including the presentation of Preferred Securities for exchange as described below) only at the direction of one or more Participants to whose account the DTC interests in the Global Certificates are credited and only in respect of such portion of the aggregate liquidation amount of Preferred Securities as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Preferred Securities, DTC will exchange the Global Certificates for Certificated Securities, which it will distribute to its Participants.

Conveyance of notices and other communications by DTC to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices in respect of the Preferred Securities held in book-entry form will be sent to Cede & Co. If less than all of the Preferred Securities are being redeemed, DTC will determine the amount of the interest of each Participant to be redeemed in accordance with its procedures.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Participants to whose accounts the Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions on the Preferred Securities held in book-entry form will be made to DTC in immediately available funds. DTC's practice is to credit Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless it has reason to believe that it will not receive payments on such payment date. Payments by Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the

responsibility of such Participants and Indirect Participants and not of DTC, the Issuer or Continental, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Issuer, disbursement of such payments to Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

Except as provided herein, a Beneficial Owner of an interest in a Global Certificate will not be entitled to receive physical delivery of Preferred Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Preferred Securities.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among Participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company, the Issuer nor the Trustee will have any responsibility for the performance by DTC or its Participants or Indirect Participants under the rules and procedures governing DTC. DTC may discontinue providing its services as securities depository with respect to the Preferred Securities at any time by giving notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Preferred Security certificates are required to be printed and delivered. Additionally, the Issuer (with the consent of Continental) may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Preferred Securities will be printed and delivered. In each of the above circumstances, Continental will appoint a paying agent with respect to the Preferred Securities.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interest in the Preferred Securities as represented by a Global Certificate.

Payment And Paying Agency

Payments in respect of the Preferred Securities shall be made to DTC, which shall credit the relevant accounts at DTC on the applicable distribution dates or, in the case of Certificated Securities, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Register. The Paying Agent will initially be Wilmington Trust Company. The Paying Agent will be permitted to resign as Paying Agent upon 30 days written notice to the Regular Trustees. In the event that Wilmington Trust Company shall no longer be the Paying Agent, the Trustee will appoint a successor to act as Paying Agent (which must be a bank or trust company).

Property Trustee, Transfer Agent, Registrar, Paying Agent and Conversion Agent

Wilmington Trust Company will act as Property Trustee, Transfer Agent, Registrar and Paying Agent, and Conversion Agent for the Preferred Securities, but the Trust may designate an additional or substitute Transfer Agent, Registrar and Paying Agent, or Conversion Agent. In the event that the Preferred Securities do not remain in book-entry-only form, registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed in connection therewith (and/or the giving of such indemnity as the Trust may require with respect thereto). Exchanges of Preferred Securities for Convertible Subordinated Debentures will be

effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed (and/or the giving of such indemnity as the Trust may require with respect thereto) in connection with the issuance of any Convertible Subordinated Debentures in the name of any person other than the registered holder of the Preferred Security for which the Convertible Subordinated Debenture is being exchanged or for any reason other than such exchange. The Trust will not be required to register or cause to be registered the transfer of Preferred Securities after such Preferred Securities have been called for redemption or exchange. The Property Trustee, prior to the occurrence of a default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Declaration and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their voting rights, direct the Property Trustee to take any action following a Declaration Event of Default.

Information Concerning The Property Trustee

The Property Trustee, prior to the occurrence of a default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Declaration and, after default, will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities that might be incurred thereby. The holders of Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their voting rights, direct the Property Trustee to take any action following a Declaration Event of Default. The Property Trustee also serves as trustee under the Guarantee and the Indenture.

Continental and certain of its subsidiaries maintain deposit accounts and conduct other banking transactions with Wilmington Trust Company in the ordinary course of their businesses.

Governing Law

The Declaration and the Trust Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware.

Miscellaneous

The Regular Trustees are authorized and directed to operate the Trust in such a way so that the Trust will not be required to register as an "investment company" under the 1940 Act or characterized as other than a grantor trust for United States federal income tax purposes. Continental is authorized and directed to conduct its affairs so that the Convertible Subordinated Debentures will be treated as indebtedness of Continental for United States federal income tax purposes. In this connection, Continental and the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of

trust of the Trust or the Certificate of Incorporation of Continental, that each of Continental and the Regular Trustees determine in their discretion to be necessary or desirable to achieve such end, as long as such action does not adversely affect the interests of the holders of the Preferred Securities or vary the terms thereof.

 Holders of the Preferred Securities have no preemptive rights.

DESCRIPTION OF THE GUARANTEE

Set forth below is a summary of the principal terms and provisions of the Guarantee which was executed and delivered by Continental for the benefit of the holders from time to time of Preferred Securities. This summary does not purport to be complete, and reference is made to the Guarantee filed as an exhibit to the Registration Statement. The Guarantee incorporates by reference terms of the Trust Indenture Act. The Guarantee will be qualified under the Trust Indenture Act. The Guarantee Trustee holds the Guarantee for the benefit of the holders of the Preferred Securities.

General

Pursuant to the Guarantee, Continental irrevocably and unconditionally agreed, to the extent set forth herein, to pay in full, to the holders of the Preferred Securities, the Guarantee Payments (as defined below), as and when due, regardless of any defense, right of set-off or counterclaim which the Issuer may have

or assert. The following payments with respect to the Preferred Securities, to the extent not paid by the Issuer (the "Guarantee Payments"), will be subject to the Guarantee (without duplication):

(i) any accrued and unpaid distributions that are required to be paid on the Preferred Securities to the extent of funds of the Trust available therefor, (ii) the amount payable upon redemption of the Preferred Securities, payable out of funds of the Trust available therefor with respect to any Preferred Securities called

for redemption by the Issuer and (iii) upon a Liquidation of the Issuer, the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities to the date of payment, to the extent of funds of the Trust available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to holders of Preferred

Securities. Continental's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by Continental to the holders of Preferred Securities or by causing the Issuer to pay such amounts to such holders.

The Guarantee will be a full and unconditional guarantee of the Guarantee Payments with respect to the Preferred Securities from the time of issuance of the Preferred Securities, but will not apply to the payment of distributions and other payments on the Preferred Securities when the Trustee does not have sufficient funds in the Property Account to make such distributions or other payments. If Continental does not make interest payments on the Convertible Subordinated Debentures held by the Trustee, the Trust will not make distributions on the Preferred Securities issued by the Trust and will not have funds available therefor. See "Description of the Convertible Subordinated Debentures - Certain Covenants."

Because the Guarantee is a guarantee of payment and not of collection, holders of the Preferred Securities may proceed directly against Continental as guarantor, rather than having to proceed against the Issuer before attempting to collect from Continental, and Continental waives any right or remedy to require

that any action be brought against the Issuer or any other person or entity before proceeding against Continental. Such obligations will not be discharged except by payment of the Guarantee Payments

in full. The Guarantee will be deposited with the Guarantee Trustee to be held for the benefit of the holders of Preferred Securities.

Except as otherwise noted herein, the Guarantee Trustee has the right to enforce the Guarantee on behalf of the holders of the Preferred Securities.

Continental has also agreed separately to irrevocably

and unconditionally guarantee the obligations of the Trust with respect to the Common Securities (the "Common Securities Guarantee") to the same extent as the Guarantee, except that upon the occurrence and during the continuation of an Event of Default, holders of Preferred Securities shall have priority over holders of Common Securities with respect to distributions and payments on liquidation, redemption or otherwise.

Certain Covenants of Continental

In the Guarantee, Continental has covenanted that, so long as any Preferred Securities remain outstanding, if (i) Continental has exercised its option to defer interest payments on the Convertible Subordinated Debentures and such deferral is continuing, (ii) Continental shall be in default with respect to its payment or other obligations under the Guarantee or (iii) there shall have occurred and be continuing any event that, with the giving of notice of the lapse of time or both, would constitute an Event of Default under the Indenture, then Continental will not (a) declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock, except for dividends or distributions in shares of its capital stock of the same class on which such dividend or distribution is being paid and conversions or exchanges of common stock of one class into common stock of another class, or (b) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities of Continental that rank pari passu with or junior to the Convertible Subordinated Debentures (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries).

As part of the Guarantee, Continental has agreed that it will honor all obligations described therein relating to the conversion of the Preferred Securities into Class B common stock as described in "Description of the Preferred Securities - Conversion Rights."

Amendments and Assignment

Except with respect to any changes that do not materially adversely affect the rights of holders of Preferred Securities (in which case no vote will be required), the Guarantee may be amended only with the prior approval of the holders of not less than 66 2/3% in aggregate stated liquidation amount of the outstanding Preferred Securities. The manner of obtaining any such approval of holders of the Preferred Securities will be as set forth under "Description of the Preferred Securities - Voting Rights." All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of Continental and shall inure to the benefit of the holders of the Preferred Securities then outstanding. Except in connection with any permitted merger or consolidation of Continental with or into another entity or any permitted sale, transfer or lease of Continental's assets to another entity as described below under "Description of the Convertible Subordinated Debentures - Restrictions," Continental may not assign its rights or delegate its obligations under the Guarantee without the prior approval of the holders of at least 66 2/3% of the aggregate stated

liquidation amount of the Preferred Securities then outstanding.

Termination of the Guarantee

The Guarantee will terminate as to each holder of Preferred Securities and be of no further force and effect upon (a) full payment of the applicable redemption price of such holder's Preferred Securities, (b) the distribution of Class B common stock to such holder in respect of the conversion of such holder's Preferred Securities into Class B common stock, or (c) the distribution of Convertible Subordinated Debentures to the holders of all of the Preferred Securities, and will terminate completely upon full payment of the amounts payable upon liquidation of the Issuer. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Preferred Securities must restore payment of any sums paid under such Preferred Securities or the Guarantee.

Events of Default

An event of default under the Guarantee will occur upon the failure of Continental to perform any of its payment or other obligations thereunder.

The holders of a majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee. If the Guarantee Trustee fails to enforce the Guarantee, any holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Guarantee Trustee's rights under the Guarantee, without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

Status of the Guarantee; Subordination

The Guarantee constitutes an unsecured obligation of Continental and ranks (i) subordinate and junior in right of payment to all liabilities of Continental except any liabilities that may be made pari passu expressly by their terms, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by Continental, which as of the date hereof would be Continental's Series A 12% Cumulative Preferred Stock (the "Series A 12% Preferred"), and with any guarantee now or hereafter entered into by Continental in respect of any preferred or preference stock of any affiliate of Continental and (iii) senior to Continental's common stock. The Declaration provides that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee. Upon the bankruptcy, liquidation or winding up of Continental, its obligations under the Guarantee will rank junior to all its other liabilities (except as aforesaid) and, therefore, funds may not be available for payment under the Guarantee.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of a default, has undertaken to perform only such duties as are specifically set forth in the Guarantee and, after default with respect to the Guarantee, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Guarantee at the request of any holder of Preferred

Securities

unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby. The Guarantee Trustee also serves as the Property Trustee and the Indenture Trustee.

Governing Law

The Guarantee is governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF THE CONVERTIBLE SUBORDINATED DEBENTURES

Set forth below is a description of the specific terms of the Convertible Subordinated Debentures in which the Trust invested the proceeds from the issuance and sale of the Trust Securities. The following description does not purport to be complete, and reference is made to the Indenture (the "Indenture") between Continental and Wilmington Trust Company as Indenture Trustee, filed as an exhibit to the Registration Statement and a copy of which may be obtained from Continental upon request. The Indenture will be qualified under the Trust Indenture Act.

Under certain circumstances involving the dissolution of the Trust following the occurrence of a Special Event, Convertible Subordinated Debentures may be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Preferred Securities - Tax Event Or Investment Company Event Redemption or Distribution."

If the Convertible Subordinated Debentures are distributed to the holders of the Preferred Securities subsequent to the effectiveness of the Shelf Registration Statement, Continental will use its best efforts to have the Convertible Subordinated Debentures listed on the New York Stock Exchange or on such other national securities exchange or similar organization on which the Preferred Securities are then listed or quoted.

General

The Convertible Subordinated Debentures have been issued as unsecured debt under the Indenture. The Convertible Subordinated Debentures were limited in aggregate principal amount to approximately \$258 million, such amount being the sum of the aggregate stated liquidation amount of the Preferred Securities and the capital contributed by Continental in exchange for the Common Securities (the "Continental Payment").

The Convertible Subordinated Debentures are not subject to a sinking fund provision. The entire principal amount of the Convertible Subordinated Debentures will mature and become due and payable, together with any accrued and unpaid interest thereon including Compounded Interest (as defined herein) and Additional Interest (as hereinafter defined), if any, on December 1, 2020.

If Convertible Subordinated Debentures are distributed to holders of Preferred Securities in liquidation of such holders' interests in the Trust, such Convertible Subordinated Debentures will initially be issued as a Global Security (as defined below). As described herein, under certain limited circumstances, Convertible Subordinated Debentures may be issued in certificated form in exchange for a Global Security (as defined below). See " - - - Book-Entry and Settlement" below. In the event that Convertible Subordinated Debentures are issued in certificated form, such Convertible Subordinated Debentures will be in denominations of \$50 and integral multiples thereof and may be transferred or exchanged at the offices described below. Payments on Convertible Subordinated Debentures issued as a Global Security will be made to DTC, a successor depositary or, in the event that no depositary is used, to a Paying Agent for the Convertible Subordinated Debentures. In the event Convertible Subordinated Debentures are issued in certificated form, principal and interest will be payable, the transfer of the Convertible Subordinated Debentures will be registrable and Convertible Subordinated Debentures will be exchangeable for Convertible Subordinated Debentures of other denominations of a like aggregate principal

amount at the corporate trust office of the Indenture Trustee in Wilmington, Delaware; provided, however, that payment of interest may be made at the option of Continental by check mailed to the address of the persons entitled thereto.

Subordination

The Indenture provides that the Convertible Subordinated Debentures are subordinated and junior in right of payment to all existing and future Senior Indebtedness of Continental. Upon any distribution of assets of Continental to creditors upon any dissolution, winding up, liquidation or reorganization, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest due or to become due on all Senior Indebtedness of Continental must be paid in full before the holders of Convertible Subordinated Debentures are entitled to receive or retain any payment. Upon payment in full of all Senior Indebtedness then outstanding, the rights of the holders of the Convertible Subordinated Debentures will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions applicable to Senior Indebtedness until all amounts owing on the Convertible Subordinated Debentures are paid in full.

In addition, no payment of principal (including redemption payments), premium, if any, or interest (including any Additional Interest, Compounded Interest or Liquidated Damages) on the Convertible Subordinated Debentures may be made (i) if any payment of principal, premium, interest or any other payment due on any Designated Senior Indebtedness of Continental is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) if the maturity of any Designated Senior Indebtedness of Continental has been accelerated because of a default.

The term "Senior Indebtedness" means, with respect to Continental, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor for the reimbursement on any letter of credit, bankers acceptance, security purchase facility or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Convertible Subordinated Debentures and (2) any indebtedness between or among such obligor or its affiliates, including all other debt securities and guarantees in respect of those debt securities, initially issued to any other trust, or a trustee of such trust, partnership or other entity affiliated with Continental that, directly or indirectly, is a financing vehicle of Continental (a "financing entity") in connection with the issuance by such financing entity of

preferred securities or other securities that rank pari passu with, or junior to, the Preferred Securities. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by Continental. As of March 31, 1996, Senior Indebtedness of Continental aggregated approximately \$1.7 billion.

The term "Designated Senior Indebtedness" means (i) all Senior Indebtedness of Continental outstanding from time to time under agreements between Continental, on the one hand, and General Electric Company, General Electric Capital Corporation, any of their respective direct or indirect subsidiaries, or any affiliates of any of the foregoing, or any trust of which any of the foregoing is a beneficiary, on the other hand, in effect on the original issue date of the Convertible Subordinated Debentures, and any renewal, refunding, replacement or extension thereof and (ii) any Senior Indebtedness of Continental incurred, issued or assumed after the original issue date of the Convertible Subordinated Debentures and any renewal, refunding, replacement or extension thereof. As of the date hereof, there are no defaults under any outstanding Designated Senior Indebtedness.

Optional Redemption

Continental will have the right to redeem the Convertible Subordinated Debentures, in whole or in part, at any time or from time to time, on or after December 1, 1998, at the optional redemption prices (expressed as a percentage of principal amount) specified below for the twelve-month period beginning December 1,

| Year | Optional Redemption Price |
|-------------------------|---------------------------|
| 1988..... | 105.95% |
| 1999..... | 105.10 |
| 2000..... | 104.25 |
| 2001..... | 103.40 |
| 2002..... | 102.55 |
| 2003..... | 101.70 |
| 2004..... | 100.85 |
| 2005 and thereafter.... | 100.00 |

plus, in each case, accrued and unpaid interest, including Additional Interest, Compounded Interest and Liquidated Damages, if any, to the date set for redemption.

Continental may also redeem the Convertible Subordinated Debentures at any time in certain circumstances upon the occurrence of a Tax Event as described under "Description of the Preferred Securities - Tax Event Or Investment Company Event Redemption or Distribution," upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, including Additional Interest, Compounded Interest and Liquidated Damages, if any, to the redemption date.

If a partial redemption of the Preferred Securities resulting from a partial redemption of the Convertible Subordinated Debentures would result in the delisting of the Preferred Securities, Continental may only redeem the Convertible Subordinated Debentures in whole.

Interest

Each Convertible Subordinated Debenture bears interest

at the rate of 8 1/2% per annum from the original date of issuance, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year (each an "Interest Payment Date"), commencing March 1, 1996, to the person in whose name such Convertible Subordinated Debenture is registered, subject to certain exceptions, at the close of business on the Business Day next preceding such Interest Payment Date. At any time when Convertible Subordinated Debentures are not held solely in book-entry-only form, the record date for each Interest Payment Date shall be 15 days prior to such Interest Payment Date.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of interest payable for any period shorter than a full quarterly period for which interest is computed will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any date on which interest is payable on the Convertible Subordinated Debentures is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, then such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

Continental shall have the right, at any time and from time to time during the term of the Convertible Subordinated Debentures, to defer payments of interest (including Additional Interest and Liquidated Damages, if any) by extending the interest payment period for a period not exceeding 20 consecutive quarters, at the end of which Extension Period, Continental shall pay all interest then accrued and unpaid (including Additional Interest and Liquidated Damages, if any) together with interest thereon compounded quarterly at the rate specified for the Convertible Subordinated Debentures to the extent permitted by applicable law ("Compounded Interest"); provided, however, that during any such Extension Period Continental will not, subject to certain exceptions, declare or pay dividends on or make any distributions with respect to any of its capital stock, or make any payment on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Convertible Subordinated Debentures. See " - Certain Covenants." Prior to the termination of any such Extension Period, Continental may further defer payments of interest by extending the interest payment period; provided, however, that, such Extension Period, including all such previous and further extensions, may not exceed 20 consecutive quarters. Upon the termination of any Extension Period and the payment of all amounts then due, Continental may commence a new Extension Period, subject to the terms set forth in this section. No interest during an Extension Period, except at the end thereof, shall be due and payable. Continental has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Convertible Subordinated Debentures. If the Property Trustee is the sole holder of the Convertible Subordinated Debentures, Continental will give the Regular Trustees and the Property Trustee notice of its selection of such Extension Period at least one Business Day prior to the earlier of (i) the date distributions on the Preferred Securities are payable or (ii) if applicable, the date the Regular Trustees are required to give notice to the New York Stock Exchange (or other applicable self-regulatory organization) or to holders of the Preferred Securities of the record date or the date such distribution is payable. The Regular Trustees will give notice of Continental's selection of

such Extension Period to the holders of the Preferred Securities. If the Property Trustee is not the sole holder of the Convertible Subordinated Debentures, Continental shall give the holders of the Convertible Subordinated Debentures notice of its selection of such Extension Period at least ten (10) Business Days prior to the earlier of (i) the Interest Payment Date or (ii) if applicable, the date upon which Continental is required to give notice to the New York Stock Exchange (or other applicable self-regulatory organization) or to holders of the Convertible Subordinated Debentures of the record or payment date of such related interest payment.

Conversion into Class B common stock

The Convertible Subordinated Debentures will be convertible into Class B common stock at the option of the holders of the Convertible Subordinated Debentures at any time at the initial conversion price of \$48.36 principal amount of Convertible Subordinated Debentures per share of Class B common stock, subject to the conversion price adjustments described under "Description of the Preferred Securities - Conversion Rights." The procedures for conversion of the Convertible Subordinated Debentures for Class B common stock will be as described under "Description of the Preferred Securities - Conversion Rights." No fractional shares will be issued upon conversion. In lieu thereof, cash will be paid by Continental based upon the Current Market Price of Class B common stock on the date the conversion notice was received by the Conversion Agent. Holders of Convertible Subordinated Debentures may obtain copies of the required form of conversion notice from the Conversion Agent. Continental's delivery to the holders of the Convertible Subordinated Debentures (through the Conversion Agent or otherwise) of the whole number of shares of Class B common stock into which the Convertible Subordinated Debentures so delivered are convertible (together with the cash payment, if any, in lieu of fractional shares) will be deemed to satisfy Continental's obligation to pay the principal amount of such Convertible Subordinated Debentures, and the accrued and unpaid interest thereon, including any Additional Interest (other than any Additional Amounts), and no payment shall be made for accrued interest, whether or not in arrears. If, however, any Convertible Subordinated Debenture is converted after any record date for the payment of interest and on or prior to the related interest payment date, the interest payable on such succeeding interest payment date with respect to such Convertible Subordinated Debenture shall be paid despite such conversion. Each conversion will be deemed to have been effected immediately prior to the close of business on the day on which the related conversion notice was received by the Conversion Agent.

Additional Interest

If at any time the Trust shall be required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, Continental will pay as additional interest ("Additional Interest") such additional amounts as shall be required so that the net amounts received and retained by the Trust after paying any such taxes, duties, assessments or other governmental charges will be not less than the amounts the Trust would have received had no such taxes, duties, assessments or other governmental charges been imposed.

Certain Covenants

In the Indenture, Continental has covenanted that, so

long as any Convertible Subordinated Debentures are outstanding, if (i) there shall have occurred and be continuing an event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default, (ii) Continental shall be in default with respect to its payment of any obligations under the Guarantee, or (iii) Continental shall have given notice of its election to defer payments of interest on the Convertible Subordinated Debentures by extending the interest payment period as provided in the Indenture and such period, or any extension thereof, shall be continuing, then Continental will not (a) declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock, except for dividends or distributions in shares of its capital stock of the same class on which such dividend or distribution is being paid and conversions or exchanges of common stock of one class into common stock of another class, or (b) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by Continental that rank pari passu with or junior to the Convertible Subordinated Debentures (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries).

For so long as the Trust Securities remain outstanding, Continental has agreed to (i) directly or indirectly maintain 100% ownership of the Common Securities of the Trust, provided, however, that any permitted successor of Continental under the Indenture may succeed to Continental's ownership of such Common Securities and (ii) use its reasonable efforts to cause the Trust to (x) remain a statutory business trust, except in connection with the distribution of Convertible Subordinated Debentures to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities of the Trust, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, and (y) otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Restrictions

The Indenture provides that Continental shall not consolidate with or merge with or into any other corporation or person, or, directly or indirectly, convey, transfer or lease all or substantially all of the properties and assets of Continental on a consolidated basis to any person, unless either Continental is the continuing corporation or such corporation or person expressly assumes by supplemental indenture all the obligations of Continental under the Indenture and the Convertible Subordinated Debentures, no default or Event of Default under the Indenture shall exist immediately after the transaction, and the surviving corporation or such person is a corporation, partnership or trust organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia.

Events of Default

The Indenture provides that any one or more of the following described events which has occurred and is continuing constitutes an "Event of Default" with respect to the Convertible

Subordinated Debentures: (i) failure for 30 days to pay interest on the Convertible Subordinated Debentures, including any Additional Interest, Compounded Interest and Liquidated Damages in respect thereof, when due, provided that a valid extension of an interest payment period will not constitute a default in the payment of interest (including any Additional Interest, Compounded Interest or Liquidated Damages) for this purpose; or (ii) failure to pay principal of or premium, if any, on the Convertible Subordinated Debentures when due whether at maturity, upon redemption, by declaration or otherwise; or (iii) failure by Continental to issue and deliver shares of Class B common stock upon an election by a holder of Preferred Securities to convert such Preferred Securities; or (iv) failure to observe or perform any other covenant contained in the Indenture for 90 days after notice to the Company by the Trustee or by the holders of not less than 25% in aggregate outstanding principal amount of the Convertible Subordinated Debentures; or (v) the dissolution, winding up or termination of the Issuer, except in connection with the distribution of Convertible Subordinated Debentures to the holders of Preferred Securities in Liquidation of the Issuer or in connection with certain mergers, consolidations or amalgamations permitted by the Declaration; or (vi) certain events in bankruptcy, insolvency or reorganization of Continental.

The Indenture Trustee or the holders of not less than 25% in aggregate principal amount of the outstanding Convertible Subordinated Debentures may declare the principal of and interest (including any Additional Interest, Compounded Interest and Liquidated Damages) on the Convertible Subordinated Debentures due and payable immediately on the occurrence of an Event of Default; provided, however, that, after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding Convertible Subordinated Debentures may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, have been cured or waived as provided in the Indenture. For information as to waiver of defaults, see " - Modification of the Indenture."

A default under any other indebtedness of Continental or the Trust would not constitute an Event of Default under the Convertible Subordinated Debentures.

Subject to the provisions of the Indenture relating to the duties of the Indenture Trustee in case an Event of Default occurs and is continuing, the Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of Convertible Subordinated Debentures, unless such holders shall have offered to the Indenture Trustee reasonable indemnity. Subject to such provisions for the indemnification of the Indenture Trustee, the holders of a majority in aggregate principal amount of the outstanding Convertible Subordinated Debentures will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee.

No holder of any Convertible Subordinated Debenture will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such holder shall have previously given to the Indenture Trustee written notice of a continuing Event of Default and, if the Issuer is not the sole holder of Convertible Subordinated Debentures, unless the holders of at least 25% in aggregate principal amount of the outstanding Convertible Subordinated Debentures shall also have made written

request, and offered reasonable indemnity, to the Indenture Trustee to institute such proceeding as Indenture Trustee, and the Indenture Trustee shall not have received from the holders of a majority in aggregate principal amount of the outstanding Convertible Subordinated Debentures a direction inconsistent with such request. However, such limitations do not apply to a suit instituted by a holder of a Convertible Subordinated Debentures for enforcement of payment of the principal of or interest (including any Additional Interest, Compounded Interest and Liquidated Damages) on such Convertible Subordinated Debenture on or after the respective due dates expressed in such Convertible Subordinated Debenture.

The holders of a majority in aggregate principal amount of the outstanding Convertible Subordinated Debentures may, on behalf of the holders of all the Convertible Subordinated Debentures, waive any past default, except a default in the payment of principal, premium, if any, or interest (including any Additional Interest, Compounded Interest and Liquidated Damages) on the Convertible Subordinated Debentures. The Property Trustee is the initial holder of the Convertible Subordinated Debentures. However, while any of the Preferred Securities are outstanding, the Indenture does not permit the waiver of any Event of Default with respect to the Convertible Subordinated Debentures without the consent of holders of 66 2/3% in aggregate liquidation amount of the Preferred Securities then outstanding. Continental is required to file annually with the Indenture Trustee and the Property Trustee a certificate as to whether or not Continental is in compliance with all the conditions and covenants under the Indenture.

Modification of the Indenture

The Indenture contains provisions permitting Continental and the Indenture Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Convertible Subordinated Debentures, to modify the Indenture or the rights of the holders of Convertible Subordinated Debentures; provided, however, that no such modification may, without the consent of the holder of each outstanding Convertible Subordinated Debenture affected thereby, (i) extend the stated maturity of the Convertible Subordinated Debentures or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or adversely affect the right to convert Convertible Subordinated Debentures or the subordination provisions of the Indenture, or (ii) reduce the percentage in aggregate principal amount of outstanding Convertible Subordinated Debentures, the holders of which are required to consent to any such supplemental indenture.

In addition, Continental and the Indenture Trustee may execute, without the consent of any holder of Convertible Subordinated Debentures, any supplemental indenture to cure any ambiguities, comply with the Trust Indenture Act and for certain other customary purposes.

Governing Law

The Indenture and the Convertible Subordinated Debentures are governed by, and construed in accordance with, the laws of the State of New York.

Information Concerning the Indenture Trustee

The Indenture Trustee, prior to default, undertakes to perform only such duties as are specifically set forth in the

Indenture and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Indenture at the request of any holder of Convertible Subordinated Debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Indenture Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

Book-Entry and Settlement

If distributed to holders of Preferred Securities in connection with the involuntary or voluntary dissolution, winding-up or liquidation of the Trust as a result of the occurrence of a Tax Event, the Convertible Subordinated Debentures will be issued in the form of one or more global certificates (each a "Global Security") registered in the name of the depositary or its nominee. Except under the limited circumstances described below, Convertible Subordinated Debentures represented by Global Securities will not be exchangeable for, and will not otherwise be issuable as, Convertible Subordinated Debentures in definitive form. The Global Securities described above may not be transferred except by the depositary to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or to a successor depositary or its nominee.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in such a Global Security.

Except as provided below, owners of beneficial interests in such a Global Security will not be entitled to receive physical delivery of Convertible Subordinated Debentures in definitive form and will not be considered the holders (as defined in the Indenture) thereof for any purpose under the Indenture, and no Global Security representing Convertible Subordinated Debentures shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. Accordingly, each Beneficial Owner must rely on the procedures of the Depositary or if such person is not a Participant, on the procedures of the Participant through which such person owns its interest to exercise any rights of a holder under the Indenture.

The Depositary

If Convertible Subordinated Debentures are distributed to holders of Preferred Securities in liquidation of such holders' interests in the Trust, DTC will act as securities depositary for the Convertible Subordinated Debentures. For a description of DTC and the specific terms of the depositary arrangements, see "Description of the Preferred Securities - Book-entry-only Issuance - The Depositary Trust Company." As of the date of this Offering Memorandum, the description therein of DTC's book-entry system and DTC's practices as they relate to purchases, transfers, notices and payments with respect to the Preferred Securities apply in all material respects to any debt obligations represented by one or more Global Securities held by DTC. Continental may appoint a successor to DTC or any successor depositary in the event DTC or such successor depositary is unable

or unwilling to continue as a depository for the Global Securities.

None of Continental, the Trust, the Indenture Trustee, any paying agent and any other agent of Continental or the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Security for such Convertible Subordinated Debentures or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Discontinuance of the Depository's Services

A Global Security shall be exchangeable for Convertible Subordinated Debentures registered in the names of persons other than the Depository or its nominee only if (i) the Depository notifies Continental that it is unwilling or unable to continue as a depository for such Global Security and no successor depository shall have been appointed, (ii) the Depository, at any time, ceases to be a clearing agency registered under the Exchange Act at which time the Depository is required to be so registered to act as such depository and no successor depository shall have been appointed, (iii) Continental, in its sole discretion, determines that such Global Security shall be so exchangeable or (iv) there shall have occurred an Event of Default with respect to such Convertible Subordinated Debentures. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Convertible Subordinated Debentures registered in such names as the Depository shall direct. It is expected that such instructions will be based upon directions received by the Depository from its Participants with respect to ownership of beneficial interests in such Global Security.

Miscellaneous

The Indenture will provide that Continental will pay all fees and expenses related to (i) the offering of the Trust Securities and the Convertible Subordinated Debentures, (ii) the organization, maintenance and dissolution of the Trust, (iii) the retention of the Trustees and (iv) the enforcement by the Property Trustee of the rights of the holders of the Preferred Securities.

EFFECT OF OBLIGATIONS UNDER THE CONVERTIBLE SUBORDINATED
DEBENTURES AND THE GUARANTEE

As set forth in the Declaration, the sole purpose of the Trust is to issue the Trust Securities evidencing undivided beneficial interests in the assets of the Trust, and to invest the proceeds from such issuance and sale in the Convertible Subordinated Debentures.

As long as payments of interest and other payments are made when due on the Convertible Subordinated Debentures, such payments will be sufficient to cover distributions and payments due on the Trust Securities because of the following factors: (i) the aggregate principal amount of Convertible Subordinated Debentures will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and the interest and other payment dates on the Convertible Subordinated Debentures will match the distribution rate and distribution and other payment dates for the Preferred Securities; (iii) Continental shall pay all, and the Trust shall not be obligated to pay, directly or indirectly, any costs or expenses of the Trust; and (iv) the Declaration further provides that the Continental Trustees shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are available) and other payments due on the Preferred Securities (to the extent funds therefor are available) are guaranteed by Continental as and to the extent set forth under "Description of the Guarantee."

If Continental does not make interest payments on the Convertible Subordinated Debentures purchased by the Trust, it is expected that the Trust will not have sufficient funds to pay distributions on the Preferred Securities. The Guarantee is a full and unconditional guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the Trust has sufficient funds for the payment of such distributions.

If Continental fails to make interest or other payments on the Convertible Subordinated Debentures when due (taking into account any Extension Period), the Declaration provides a mechanism whereby the holders of the Preferred Securities, using the procedures described in "Description of the Preferred Securities - - - Voting Rights," may direct the Property Trustee to enforce its rights under the Convertible Subordinated Debentures, including proceeding directly against Continental to enforce the Convertible Subordinated Debentures. If the Indenture Trustee fails to enforce its rights under the Convertible Subordinated Debentures, a holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Indenture Trustee's rights under the Convertible Subordinated Debentures without first instituting any legal proceeding against the Indenture Trustee or any other person or entity, including the Trust.

If Continental fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Preferred Securities may direct the Guarantee Trustee to enforce its rights thereunder. If the Guarantee Trustee fails to enforce the Guarantee, any holder of Preferred Securities may institute a legal proceeding directly against Continental to enforce the Guarantee Trustee's rights under the Guarantee, without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity.

Continental's obligations under the Declaration, the Guarantee, the Indenture and the Convertible Subordinated Debentures, in the aggregate provides a full and unconditional guarantee on a subordinated basis by Continental of payments due on the Preferred Securities. See "Description of the Guarantee long dash General" and "Description of the Convertible Subordinated Debentures - Events of Default."

DESCRIPTION OF CAPITAL STOCK

The current authorized capital stock of the Company consists of 50,000,000 shares of Class A common stock, \$.01 par value (the "Class A common stock"), 100,000,000 shares of Class B common stock (the "Class B common stock"), 50,000,000 shares of Class C common stock, \$.01 par value (the "Class C common stock"), 50,000,000 shares of Class D common stock, \$.01 par value (the "Class D common stock") (such classes of common stock referred to collectively as the "common stock") and 10,000,000 shares of preferred stock, \$.01 par value (the "Preferred Stock").

Amendments

to the Certificate of Incorporation have been proposed by the Board

of Directors for a vote at the Annual Meeting that would increase the amount of authorized Class B common stock to 200,000,000 shares

and eliminate the Class C common stock as an authorized class of shares. See "Recent Developments." As of April 30, 1996, there were 6,301,056 outstanding shares of Class A common stock, 21,492,124 outstanding shares of Class B common stock and 409,662 outstanding shares of Series A 12% Cumulative Preferred Stock.

Pursuant to the Reorganization, on April 27, 1993 the Company issued 1,900,000 shares of Class A common stock and 5,042,368 shares of Class B common stock to a distribution agent for the benefit of the Company's Prepetition Creditors. As of March

31, 1996, there remained 291,459 shares of Class A common stock, 762,291 shares of Class B common stock, and approximately \$1 million of cash available for distribution. Pending resolution of certain disputed claims, a distribution agent will continue to hold

undistributed Class A common stock and Class B common stock and will vote such shares of each class pro rata in accordance with the

vote of all other shares of such class on any matter submitted to a vote of stockholders. Also pursuant to the Reorganization, the Company issued 493,621 shares of Class B common stock to its retirement plan.

The following summary description of capital stock accurately describes the material matters with respect thereto, but

is not intended to be complete and reference is made to the provisions of the Company's Certificate of Incorporation and Bylaws

and the agreements referred to in this summary description. As used

in this section, except as otherwise stated or required by context,

each reference to Air Canada or Air Partners includes any successor

by merger, consolidation or similar transaction and any wholly owned subsidiary of such entity or such successor.

Common Stock - All Classes

Holder of common stock of all classes participate ratably as to any dividends or distributions on the common stock, except that dividends payable in shares of common stock, or securities to acquire common stock, are paid in common stock, or securities to acquire common stock, of the same class as that upon

which the dividend or distribution is being paid. Upon any liquidation, dissolution or winding up of the Company, holders of common stock of all outstanding classes are entitled to share ratably the assets of the Company available for distribution to the

stockholders, subject to the prior rights of holders of any outstanding Preferred Stock. Holders of common stock have no

preemptive, subscription, conversion or redemption rights (other than preemptive, subscription and conversion rights of Air Partners and Air Canada described under " - Corporate Governance and Control"), and are not subject to further calls or assessments. Holders of common stock have no right to cumulate their votes in the election of directors. All series of common stock vote together as a single class, subject to the right to a separate class vote in certain instances required by law and to the rights of holders of Class C common stock and Class D common stock to vote separately as a class to elect directors as described under " - Special Classes of Common Stock."

Class B Common Stock and Class A Common Stock

The holders of Class B common stock are entitled to one vote per share, and the holders of Class A common stock are entitled to ten votes per share, on all matters submitted to a vote of stockholders, except that voting rights of non-U.S. citizens are limited as set forth below under " - Limitation on Voting by Foreign Owners" and no holder of Class C common stock or Class D common stock can vote any of its Class B common stock for the election of directors (see " - Special Classes of Common Stock").

Air Canada and Air Partners (together, the "AP/AC Investors") owned as of April 30, 1996 in the aggregate approximately 28% of the outstanding Class A common stock and Class B common stock, representing approximately 56% of total voting power (excluding the exercise of warrants held by Air Partners and the exchange of Class B common stock for Class A common stock by Air Canada) and Air Partners has warrants to acquire an additional 3,382,632 shares of Class B common stock and 1,519,734 of Class A common stock (together representing approximately 21% of total voting power, assuming exercise of such warrants). See " - Corporate Governance and Control" below for a discussion of arrangements regarding the composition of the Board of Directors of the Company.

Air Canada may at any time and from time to time convert shares of Class A common stock into an equal number of shares of Class B common stock and, so long as such exchange would comply with the Foreign Ownership Restrictions (as defined below under the caption " - Limitation on Voting by Foreign Owners") may exchange up to 1,078,944 of its shares of Class B common stock for an equal number of shares of Class A common stock. Except for these special conversion and exchange rights of Air Canada, Class B common stock is not convertible into or exchangeable for Class A common stock and Class A common stock is not convertible into or exchangeable for Class B common stock.

Upon the closing of the Secondary Offering, pursuant to the amendment to the Stockholders' Agreement, Air Canada converted its Class A common stock into Class B common stock and irrevocably waived its right to exchange certain shares of Class B common stock for Class A common stock.

In addition, under the Proposed Amendments, the Certificate of Incorporation would be amended to permit all stockholders at any time and from time to time after January 1, 1997 to convert shares of Class A common stock into an equal number of shares of Class B common stock. Because the Class A common stock has ten votes per share and the Class B common stock has one

vote per share, any such conversion would effectively increase the relative voting power of those Class A stockholders who do not convert. The limitation in the current charter was designed to ensure compliance with applicable Foreign Ownership Restrictions by giving Air Canada a method for reducing its voting power, if necessary, while preventing conversions by other stockholders that would have the effect of increasing Air Canada's voting control without any action by Air Canada itself. In light of Air Canada's reduced stake in the Company, the Company has determined that this restriction is no longer necessary. In addition, in recent periods, the market price of Class A common stock has generally been below the price of Class B common stock, which the company believes is attributable in part to the reduced liquidity present in the trading market for Class A common stock. A number of holders of Class A common stock have requested that the charter be amended to give all stockholders the right to convert Class A common stock into Class B common stock. The effective date of this amendment is proposed to be January 1, 1997.

Limitation on Voting by Foreign Owners

The Company's Certificate of Incorporation defines "Foreign Ownership Restrictions" as "applicable statutory, regulatory and interpretive restrictions regarding foreign ownership or control of U.S. air carriers (as amended or modified from time to time)." Such restrictions currently require that no more than 25% of the voting stock of the Company be owned or controlled, directly or indirectly, by persons who are not U.S. Citizens ("Foreigners") for purposes of the Foreign Ownership Restrictions, and that the Company's president and at least two-thirds of its other managing officers and directors be U.S. Citizens. For purposes of the Certificate of Incorporation, "U.S. Citizen" means (i) an individual who is a citizen of the United States; (ii) a partnership each of whose partners is an individual who is a citizen of the United States; or (iii) 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, and in which at least 75% of the voting interest is owned or controlled by persons that are citizens of the United States. The Certificate of Incorporation provides that no shares of capital stock may be voted by or at the direction of Foreigners, unless such shares are registered on a separate stock record (the "Foreign Stock Record") maintained by the Company for the registration of ownership of voting stock by Foreigners. The Company's Bylaws further provide that no shares will be registered on the Foreign Stock Record if the amount so registered would exceed the Foreign Ownership Restrictions or adversely affect the Company's operating certificates or authorities. Registration on the Foreign Stock Record is made in chronological order based on the date the Company receives a written request for registration, except that certain shares held by Air Canada, and, after such shares, certain shares acquired by Air Partners in connection with its original investment in the Company that are subsequently transferred to any Foreigner are entitled to be registered prior to, and to the exclusion of, other shares. Shares currently owned by Air Canada and registered on the Foreign Stock Record constitute a substantial portion of the shares that may be voted by Foreigners under the Foreign Ownership Restrictions. Accordingly, at this time only a very limited number of shares of Class B common stock or Class A common stock of the Company may be registered on the Foreign Stock Record and voted by any Foreigner other than Air Canada.

Under the Proposed Amendments, the Bylaws would be

amended to delete Air Canada's right to have its shares included in the Foreign Stock Record on a preferential basis. Furthermore, now that Air Canada has converted its Class A common stock to Class B common stock upon the closing of the Secondary Offering, a larger number of shares of Class B common stock and/or Class A common stock can be registered on the Foreign Stock Record and voted by Foreigners other than Air Canada.

Corporate Governance and Control

Board of Directors

The Certificate of Incorporation provides that the Company's Board of Directors must consist of eighteen directors to be elected by holders of common stock, exclusive of any directors who may be elected by holders of Preferred Stock. Pursuant to the Stockholders' Agreement, the AP/AC Investors agreed to vote their shares to elect six directors designated by Air Partners, six directors designated by Air Canada, and six additional directors satisfactory to Air Partners. Pursuant to the Certificate of Incorporation, (i) the six additional directors must be independent of Air Partners and Air Canada and, until the first annual meeting of stockholders after April 27, 1996, must include three directors designated by the committee representing Prepetition Creditors (as defined in the Stockholders' Agreement), and (ii) at each annual meeting, the Board must nominate the chief executive officer for election as a director.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to provide that the number of directors may be determined from time to time by the Board in accordance with the Bylaws, subject to the rights of holders of preferred stock to elect additional directors as set forth in any preferred stock designation. The Bylaws would also be amended to provide that the number of directors will be determined from time to time by the Board (and will initially consist of 12 directors). In addition, provisions relating to the Board designees of Air Canada and the committee representing Prepetition Creditors would be deleted.

Supermajority Vote Requirements

The Certificate of Incorporation requires the affirmative vote of shares having at least two-thirds of the total voting power of all issued and outstanding shares of common stock, voting together as a single class, to amend certain provisions of the Certificate of Incorporation that govern the number of authorized shares and the relative rights of classes of capital stock, election and voting of directors, and rights of the AP/AC Investors to purchase additional shares of Class B common stock.

The Certificate of Incorporation also provides that, unless prohibited by law, the affirmative vote of at least 70% (75% if more than one director is elected by holders of Preferred Stock or in certain other instances) of directors (a "Supermajority Vote") is required to approve certain extraordinary transactions, including (i) authorization, issuance or disposition of Class A common stock or rights to acquire Class A common stock, (ii) liquidation or dissolution of the Company, (iii) any fundamental change in the lines of business of the Company, (iv) appointment of a receiver for the Company or commencement of bankruptcy proceedings or (v) any amendment to the Plan of Reorganization. In addition, a Supermajority Vote of directors is required to approve the following transactions, if such Supermajority Vote requirements

are first presented to and approved by DOT as complying with the Foreign Ownership Restrictions: (a) approval of capital expenditures in any fiscal year that exceed by more than \$50,000,000 the amount of capital expenditures set forth in the Company's capital budget; (b) approval to incur indebtedness for money borrowed in any fiscal year that exceeds by more than \$50,000,000 the maximum principal amount of indebtedness projected in the Company's financial plan for such year; (c) certain acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and (d) the taking of certain actions with respect to material contracts (including, among others, contracts providing for the merger or consolidation of the Corporation, contracts with periods in excess of four years or contemplating expenditures in excess of \$50 million in any year and \$150 million in the aggregate), and any compensatory plan in which any director or executive officer of the Company participates.

The Certificate of Incorporation further requires approval by two-thirds of the directors in office (assuming no vacancies) to approve contracts (or any amendments thereof) between the Company and any air carrier (other than Air Canada) with respect to a code-sharing or marketing alliance or to amend certain provisions of the Company's Bylaws governing (i) the election and voting of directors and committees of the Board of Directors or (ii) the ownership and voting of stock by Foreigners. Such Bylaw amendments also must be approved by at least a majority of the total voting power of all issued and outstanding shares of common stock, unless they have been approved by a majority of the directors designated or elected by the AP/AC Investors. The Certificate of Incorporation also requires approval by the holders of at least two-thirds of the voting power of all issued and outstanding shares of common stock in order to amend the sections of the Certificate of Incorporation relating to (i) the Corporation's capital stock, (ii) composition and voting of the Board of Directors, and (iii) preemptive rights of Air Partners and Air Canada.

Contracts and transactions between the Company and its directors, officers or other related parties also must be approved by a majority (or, in cases otherwise subject to a Supermajority Vote, by 75%) of disinterested directors, unless such contracts or transactions are approved by the stockholders or are otherwise fair to the Company.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the foregoing provisions.

Fairness Opinion; Business Combinations

The Certificate of Incorporation provides that the Board of Directors will not approve any merger or similar corporate transaction unless, prior to the approval, the board receives an opinion of an independent investment banking firm that the consideration to be received by the holders of common stock is fair from a financial point of view to such holders. The Certificate of Incorporation provides that the Company is not governed by Section 203 of the General Corporation Law of Delaware that, in the absence of such provisions, would have imposed additional requirements regarding mergers and other business combinations.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the requirement that the board receive such opinion.

Anti-dilution Rights of AP/AC Investors

Pursuant to the Certificate of Incorporation, each

AP/AC

Investor is given the right to purchase from the Company additional shares of Class B common stock to the extent necessary to maintain its pro rata ownership of the outstanding Class B common stock. Such anti-dilution rights terminate as to an AP/AC Investor if the total voting power of the common stock beneficially owned by such AP/AC Investor is less than 20% of the total voting power of all of the outstanding common stock.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete Air Canada's anti-dilution rights.

Procedural Matters

The Company's Bylaws require stockholders seeking to nominate directors or propose other matters for action at a stockholders' meeting to deliver notice thereof to the Company certain specified periods in advance of the meeting and to follow certain other specified procedures.

Change in Control

The cumulative effect of the provisions of the Certificate of Incorporation and Bylaws referred to under this heading "Description of Capital Stock," and the Stockholders' Agreement is to maintain certain rights of the AP/AC Investors to elect directors and otherwise to preserve their relative ownership and voting positions. These provisions may have the effect of delaying, deferring or preventing a change in control of the Company.

The cumulative effect of the Agreement and the Proposed Amendments will be to maintain certain rights of Air Partners to elect directors and otherwise to preserve its relative ownership and voting positions. Air Canada will not continue to have similar rights.

Special Classes of Common Stock

The Certificate of Incorporation authorizes Class C common stock and Class D common stock as a mechanism to provide, under certain circumstances, a specified level of Board representation for each of the AP/AC Investors. No shares of Class C common stock or Class D common stock are currently outstanding, and they may only be issued in limited circumstances upon conversion of Class A common stock held by AP/AC Investors. In the event the AP/AC Investors hold shares of Class A common stock and Class B common stock representing 50% or less of the combined voting power of all classes of common stock, or if the Stockholders' Agreement is no longer in effect, each of the AP/AC Investors has the option, which may be exercised only once, to convert all (but not less than all) shares of Class A common stock held by it into an equal number of shares of Class C common stock, in the case of Air Canada, or Class D common stock, in the case of Air Partners. Such right of conversion is further conditioned upon the AP/AC Investor holding common stock having at least 20% of the total voting power of all classes of common stock.

After such conversion, holders of Class C common stock and Class D common stock are each entitled to elect six directors, voting as a separate class. When shares of Class C common stock are

outstanding, Air Canada has no right to vote any of its shares of Class B common stock for the election of directors; and if Air Canada becomes the beneficial owner of additional shares of Class A common stock during such time, such shares will automatically be converted into an equal number of shares of Class C common stock. Likewise, when shares of Class D common stock are outstanding, Air Partners may not vote any of its shares of Class B common stock for the election of directors; and if Air Partners becomes the beneficial owner of any additional shares of Class A common stock during such time, such shares will automatically be converted into Class D common stock. Each share of Class C common stock and Class D common stock has ten votes and, as to matters other than the election of directors, votes together with all other classes of common stock as a single class. In the event the voting power of all common stock held by an AP/AC Investor represents less than 20% of the voting power of all classes of common stock, all Class C common stock or Class D common stock held by such AP/AC Investor will automatically convert into an equal number of shares of Class A common stock. Shares of Class C common stock and Class D common stock also convert automatically into an equal number of shares of Class A common stock upon the transfer of record or beneficial ownership of such Class C common stock or Class D common stock to any person other than certain related parties of the original holder. Each AP/AC Investor may also at any time voluntarily convert all (but not less than all) shares of Class C common stock or Class D common stock held by it into an equal number of shares of Class A common stock. All shares of Class C common stock or Class D common stock surrendered by an AP/AC Investor for conversion into Class A common stock will be canceled and may not be reissued.

Under the Proposed Amendments, the Certificate of Incorporation would be amended to delete the Class C common stock and provide that the holders of Class D common stock are entitled to elect one-third of the number of directors determined by the Board of Directors pursuant to the Bylaws (rounded to the nearest whole number).

Redeemable Preferred Stock

The Company has authorized and issued a class of preferred stock, designated as Series A 12% Cumulative Preferred Stock.

Holders of the Series A 12% Preferred are entitled to receive, when, as and if declared by the Board of Directors, cumulative dividends payable quarterly in additional shares of such preferred stock for dividends accumulating through December 31, 1996. Thereafter dividends are payable in cash at an annual rate of \$12 per share; provided, however, that to the extent net income (as defined in the certificate of designation for the preferred stock) for any calendar quarter is less than the amount of dividends due on all outstanding shares of the Series A 12% Preferred for such quarter, the Board of Directors may declare dividends payable in additional shares of Series A 12% Preferred in lieu of cash. At any time, the Company may redeem, in whole or in part, on a pro rata basis among the stockholders, any outstanding shares of the Series A 12% Preferred. All outstanding shares of the Series A 12% Preferred are mandatorily redeemable on April 27, 2003 out of legally available funds. The redemption price is \$100 per share plus accrued and unpaid dividends. Shares of the Series A 12% Preferred are not convertible into shares of common stock and such shares do not have voting rights, except under limited circumstances described in the following two paragraphs. Shares of

the Series A 12% Preferred have a liquidation preference of \$100 per share plus accrued and unpaid dividends, senior to any distribution on shares of common stock.

In the event the Company violates certain covenants set forth in the certificate of designation relating to the Series A 12% Preferred, or fails to pay the full amount of dividends on the preferred stock for nine consecutive quarterly payment dates or shall not have redeemed the preferred stock within five days of the date of any redemption of which the Company has given, or is required to give, notice (a "Default"), the holders of the Series A 12% Preferred as to which a Default exists, voting (subject to the Foreign Ownership Restrictions) together as one class, are entitled to elect one member of the Board of Directors. In the event the Company pays in full all dividends accrued on the preferred stock for three consecutive payment dates following such Default (and no dividend arrearages exist as to such stock), or otherwise cures any other default that gives rise to such voting rights, the holders of the Series A 12% Preferred will cease to have the right to elect a director.

The consent or approval of the holders of a majority of the then-outstanding shares of Series A 12% Preferred is required for the creation of certain classes of senior or parity stock, certain mergers or sales of substantially all of the Company's assets, the voluntary liquidation or dissolution of the Company and amendments to the terms of the preferred stock that would adversely affect the Series A 12% Preferred.

The Board of Directors of the Company has the authority, without any vote by the stockholders, to issue additional shares of preferred stock, up to the number of shares authorized in the Certificate of Incorporation, as it may be amended from time to time, in one or more series, and to fix the number of shares constituting any such series, the designations, preferences and relative rights and qualifications of such series, including the voting rights, dividend rights, dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series.

Limitation of Director Liability and Indemnification

The Company's Certificate of Incorporation provides, to the fullest extent permitted by Delaware law as it may from time to time be amended, that no director shall be liable to the Company or any stockholder for monetary damages for breach of fiduciary duty as a director. Delaware law currently provides that such waiver may not apply to liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law (governing distributions to stockholders), or (iv) for any transaction from which the director derived any improper personal benefit. The Certificate of Incorporation further provides that the Company will indemnify each of its directors and officers to the full extent permitted by Delaware law and may indemnify certain other persons as authorized by law. The foregoing provisions do not eliminate any monetary liability of directors under the federal securities laws.

UNITED STATES TAXATION

General

This section is a summary of certain United States federal income tax considerations that may be relevant to the purchasers of Preferred Securities and represents the opinion of Cleary, Gottlieb, Steen & Hamilton, special counsel to Continental and the Trust, insofar as it relates to matters of law and legal conclusions. The conclusions expressed herein are based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), regulations thereunder and current administrative rulings and court decisions, all of which are subject to change. Subsequent changes may cause tax consequences to vary substantially from the consequences described below.

No attempt has been made in the following discussion to comment on all United States federal income tax matters affecting purchasers of Preferred Securities. Moreover, the discussion generally focuses on holders of Preferred Securities who are individual citizens or residents of the United States and who hold Preferred Securities as capital assets. This discussion has only limited application to dealers in securities, corporations, estates, trusts or nonresident aliens. Accordingly, each prospective purchaser of Preferred Securities should consult, and should rely exclusively on, the purchaser's own tax advisor in analyzing the federal, state, local and foreign tax consequences of the purchase, ownership or disposition of Preferred Securities.

Classification of the Convertible Subordinated Debentures

In connection with the issuance of the Convertible Subordinated Debentures, Cleary, Gottlieb, Steen & Hamilton, special counsel to Continental and the Trust, will render its opinion generally to the effect that, under then current law and assuming full compliance with the terms of the Indenture (and certain other documents), and based on certain facts and assumptions contained in such opinion, the Convertible Subordinated Debentures held by the Trust are classified for United States federal income tax purposes as indebtedness of Continental.

Classification of the Trust

In connection with the issuance of Preferred Securities, Cleary, Gottlieb, Steen & Hamilton, special counsel to Continental and the Trust, will render its opinion generally to the effect that, under then current law and assuming full compliance with the terms of the Declaration and the Indenture (and certain other documents), the Trust will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation. Accordingly, for United States federal income tax purposes, each holder of Preferred Securities generally will be considered the owner of an undivided interest in the Convertible Subordinated Debentures, and each holder will be required to include in its gross income any original issue discount ("OID") accrued with respect to its allocable share of the Convertible Subordinated Debentures.

Potential Extension of Interest Payment Period and Original Issue Discount

Because Continental has the option, under the terms of the Convertible Subordinated Debentures, to defer payments of interest by extending interest payment periods for up to 20 quarters, all of the stated interest payments on the Convertible Subordinated Debentures will be treated as "original issue discount." Holders of debt instruments issued with OID must include that discount in income on an economic accrual basis before the receipt of cash attributable to the interest, regardless of their method of tax accounting. Generally, all of a holder's taxable interest income with respect to the Convertible Subordinated Debentures will be accounted for as OID. Actual payments and

distributions of stated interest will not, however, be separately reported as taxable income. The amount of OID that accrues in any quarter will approximately equal the amount of the interest that accrues on the Convertible Subordinated Debentures in that quarter at the stated interest rate. In the event that the interest payment period is extended, holders will continue to accrue OID approximately equal to the amount of the interest payment due at the end of the extended interest payment period on an economic accrual basis over the length of the extended interest payment period.

Because income on the Preferred Securities will constitute OID, corporate holders of Preferred Securities will not be entitled to a dividends-received deduction with respect to any income recognized with respect to the Preferred Securities.

Market Discount and Acquisition Premium

Holders of Preferred Securities other than a holder who purchased the Preferred Securities upon original issuance may be considered to have acquired their undivided interests in the Convertible Subordinated Debentures with market discount or acquisition premium as such phrases are defined for United States federal income tax purposes. Such holders are advised to consult their tax advisors as to the income tax consequences of the acquisition, ownership and disposition of the Preferred Securities.

Receipt of the Convertible Subordinated Debentures or Cash Upon Liquidation of the Trust

Under certain circumstances, as described under "Description of the Preferred Securities - Tax Event or Investment Company Event Redemption or Distribution," the Convertible Subordinated Debentures may be distributed to holders of Preferred Securities upon a liquidation of the Trust. Under current United States federal income tax law, such a distribution would be treated as a nontaxable exchange to each such holder and would result in such holder having an aggregate tax basis in the Convertible Subordinated Debentures received in the liquidation equal to such holder's aggregate tax basis in the Preferred Securities immediately before the distribution. A holder's holding period in the Convertible Subordinated Debentures so received in liquidation of the Trust would include the period for which such holder held the Preferred Securities. If, however, the related Special Event is a Tax Event which results in the Trust being treated as an association taxable as a corporation, the distribution would likely constitute a taxable event to holders of the Preferred Securities. Under certain circumstances described herein (see "Description of the Preferred Securities"), the Convertible Subordinated Debentures may be redeemed for cash and the proceeds of such redemption distributed to holders in redemption of their Preferred Securities. Under current law, such a redemption would, for United States federal income tax purposes, constitute a taxable disposition of the redeemed Preferred Securities, and a holder would recognize gain or loss as if it sold such redeemed Preferred Securities for cash. See " - Disposition of Preferred Securities."

Disposition of Preferred Securities

A holder that sells Preferred Securities will recognize gain or loss equal to the difference between the amount realized on the sale of the Preferred Securities and the holder's adjusted tax basis in such Preferred Securities. A holder's adjusted tax basis in the Preferred Securities generally will be its initial purchase price increased by OID previously includible in such holder's gross income to the date of disposition and decreased by payments received on the Preferred Securities to the date of disposition. Such gain or loss will be a capital gain or loss and will be a

long-term capital gain or loss if the Preferred Securities have been held for more than one year at the time of sale.

The Preferred Securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest with respect to the underlying Convertible Subordinated Debentures.

A holder that disposes of or converts his Preferred Securities between record dates for payments of distributions thereon will be required to include accrued but unpaid interest on the Convertible Subordinated Debentures through the date of disposition in income as ordinary income, and to add such amount to his adjusted tax basis in his pro rata share of the underlying Convertible Subordinated Debentures deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis (which basis will include, in the form of OID, all accrued but unpaid interest), a holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

Exchange of Preferred Securities for Continental Class B Common Stock

A holder of Preferred Securities will not recognize gain or loss upon the exchange, through the Conversion Agent, of Preferred Securities for a proportionate share of the Convertible Subordinated Debentures held by the Trust.

A holder of Preferred Securities will not recognize gain or loss upon the conversion, through the Conversion Agent, of the Convertible Subordinated Debentures into Continental Class B common stock. A holder of Preferred Securities will, however, recognize gain upon the receipt of cash in lieu of a fractional share of Continental Class B common stock equal to the amount of cash received less such holder's tax basis in such fractional share. The tax basis of a holder of Preferred Securities in Continental Class B common stock received upon exchange and conversion should generally be equal to such holder's tax basis in the Preferred Securities delivered to the Conversion Agent for exchange less the basis allocated to any fractional share for which cash is received and such holder's holding period in Continental Class B common stock generally begin on the date the holder of the Preferred Securities acquired the Preferred Securities delivered to the Conversion Agent for exchange.

Adjustment of the Conversion Price

Treasury Regulations promulgated under Section 305 of the Code would treat holders of Preferred Securities as having received a constructive distribution from Continental in the event the conversion ratio of the Convertible Subordinated Debentures were adjusted if (i) as a result of such adjustment, the proportionate interest (measured by the quantum of Continental Class B common stock into which the Convertible Subordinated Debentures is convertible) of the holders of the Preferred Securities in the assets or earnings and profits of Continental were increased, and (ii) the adjustment was not made pursuant to a bona fide, reasonable antidilution formula. An adjustment in the conversion ratio would not be considered made pursuant to such a formula if the adjustment were made to compensate for certain taxable distributions with respect to Continental Class B common stock. Thus, under certain circumstances, a reduction in the conversion price for the holders of Preferred Securities may result in deemed dividend income to such holders to the extent of the current or accumulated earnings and profits of Continental. Holders of Preferred Securities would be required to include their allocable share of such deemed dividend income in gross income but would not

receive any cash related thereto. Corporate holders of Preferred Securities may be eligible for a dividends received deduction with respect to such amount. In addition, the holders of the Preferred Securities will receive a basis increase with respect to the Convertible Subordinated Debentures and the Preferred Securities in an amount equal to such deemed dividend.

United States Alien Holders

For purposes of this discussion, a "United States Alien Holder" is any holder that is (i) a nonresident alien individual or (ii) a foreign corporation, partnership or estate or trust, in either case not subject to United States federal income tax on a net income basis in respect of Preferred Securities.

Under current United States federal income tax law, subject to the discussion below with respect to backup withholding:

(i) payments by the Trust or any of its paying agents to any holder of Preferred Securities that is a United States Alien Holder should not be subject to United States federal withholding tax provided that (a) the beneficial owner of the Preferred Securities does not actually or constructively (including by virtue of its interest in the underlying Convertible Subordinated Debentures) own 10% or more of the total combined voting power of all classes of stock of Continental entitled to vote, (b) the beneficial owner of the Preferred Securities is not a controlled foreign corporation that is related to Continental through stock ownership, and (c) either (x) the beneficial owner of the Preferred Securities certifies to the Trust or its agent, under penalties of perjury, that it is a United States Alien Holder and provides its name and address or (y) the holder of the Preferred Securities is a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "Financial Institution"), and such holder certifies to the Trust or its agent, under penalties of perjury, that such statement has been received from the beneficial owner by it or by a Financial Institution between it and the beneficial owner and furnishes the Trust or its agent with a copy thereof; and

(ii) a United States Alien Holder of Preferred Securities who is a natural person generally should not be subject to United States federal withholding tax on any gain realized on the sale or exchange of Preferred Securities unless such holder is present in the United States for 183 days or more in the taxable year of sale and either has a "tax home" in the United States or certain other requirements are met.

In the event that Preferred Securities were characterized as stock or other equity of Continental, payments to a holder could be characterized as dividends and subject to a 30% withholding tax or such lesser amount as may be provided under an applicable treaty. If a United States Alien Holder is treated as receiving a deemed dividend as a result of an adjustment of the conversion price of the Convertible Subordinated Debentures, as described above under " - Adjustment of the Conversion Price," such deemed dividend will be subject to a 30% withholding tax (or a lesser amount under an applicable treaty).

Backup Withholding and Information Reporting

Subject to the qualifications discussed below, income on the Preferred Securities will be reported to holders on Forms 1099,

which forms should be mailed to holders of Preferred Securities by January 31 following each calendar year.

The Trust will be obligated to report annually to Cede & Co., as holder of record of the Preferred Securities, the OID related to the Convertible Subordinated Debentures that accrued during the year. The Trust currently intends to report such information on Form 1099 prior to January 31 following each calendar year even though the Trust is not legally required to report to record holders until April 15 following each calendar year. The Initial Purchasers have indicated to the Trust that, to the extent that they hold Preferred Securities as nominees for beneficial holders, they currently expect to report to such beneficial holders on Forms 1099 by January 31 following each calendar year. Under current law, holders of Preferred Securities who hold as nominees for beneficial holders will not have any obligation to report information regarding the beneficial holders to the Trust. The Trust, moreover, will not have any obligation to report to beneficial holders who are not also record holders. Thus, beneficial holders of Preferred Securities who hold their Preferred Securities through the Initial Purchasers will receive Forms 1099 reflecting the income on their Preferred Securities from such nominee holders rather than the Trust.

Payments made on, and proceeds from the sale of, the Preferred Securities may be subject to a "backup" withholding tax of 31% unless the holder complies with certain identification requirements. Any withheld amounts will be allowed as a credit against the holder's United States federal income tax, provided the required information is provided to the Internal Revenue Service.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON THE PARTICULAR SITUATION OF A HOLDER OF PREFERRED SECURITIES. HOLDERS OF PREFERRED SECURITIES SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

ERISA CONSIDERATIONS

Generally, employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Code ("Plans"), may purchase Preferred Securities, subject to the investing fiduciary's determination that the investment in Preferred Securities satisfies ERISA's fiduciary standards and other requirements applicable to investments by the Plan.

In any case, Continental and/or any of its affiliates may be considered a "party in interest" (within the meaning of ERISA) or a "disqualified person" (within the meaning of Section 4975 of the Code) with respect to certain plans (generally, Plans maintained or sponsored by, or contributed to by, any such persons). The acquisition and ownership of Preferred Securities by a Plan (or by an individual retirement arrangement or other Plans described in Section 4975(e)(1) of the Code) with respect to which Continental or any of its affiliates is considered a party in interest or a disqualified person, may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such Preferred Securities are acquired pursuant to and in accordance with an applicable exemption.

As a result, Plans with respect to which Continental or any of its affiliates is a party in interest or a disqualified person should not acquire Preferred Securities unless such

Preferred Securities are acquired pursuant to and in accordance with an applicable exemption. Any other Plans or other entities whose assets include Plan assets subject to ERISA or Section 4975 of the Code proposing to acquire Preferred Securities should consult with their own counsel.

SELLING HOLDERS

The Preferred Securities were originally issued by the Trust and sold by Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. (the "Initial Purchasers"), in transactions exempt from the registration requirements of the Securities Act, to persons reasonably believed by such Initial Purchasers to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The Selling Holders may from time to time offer and sell pursuant to this Prospectus any or all of the Preferred Securities, any Convertible Subordinated Debentures and Continental Class B common stock issued upon conversion of the Preferred Securities. The term Selling Holder includes the holders listed below and the beneficial owners of the Preferred Securities and their transferees, pledgees, donees or other successors.

The following table sets forth information with respect to the Selling Holders and the respective number of Preferred Securities beneficially owned by each Selling Holder that may be offered pursuant to this Prospectus. Such information has been obtained from the Selling Holders and the Property Trustee. Merrill Lynch, Pierce, Fenner & Smith Incorporated maintains ongoing business relationships with Continental and in connection therewith provides investment banking and investment advisory services for which it receives customary fees.

| Selling Holder | Number of Preferred Securities |
|---|--------------------------------|
| 1. Bank of New York..... | 690,400 |
| 2. Bear Sterns Securities Corp..... | 687,000 |
| 3. Chase Manhattan Bank, N.A..... | 672,800 |
| 4. SSB-Custodian..... | 556,392 |
| 5. Alpine Associates..... | 493,000 |
| 6. Merrill Lynch, Pierce, Fenner and Smith, Inc..... | 227,458 |
| 7. Brown Brothers and Harriman Co..... | 196,000 |
| 8. Bankers Trust Company..... | 187,652 |
| 9. Lehman Brothers, Inc. | 185,000 |
| 10. Boston Safe Deposit & Trust Co. | 130,600 |
| 11. NatWest Securities Corporation #2..... | 120,000 |
| 12. Sun Trust | 115,000 |
| 13. Investors Bank and Trust/N.A. Custody..... | 108,000 |
| 14. Nomura International Trust Company Incorporated . | 100,000 |
| 15. Custodial Trust Company | 65,000 |
| 16. Oppenheimer and Co., Inc. | 65,000 |
| 17. Paine Webber, Inc. | 58,800 |
| 18. Lehman Brothers, International Europe - Prime Broker (LGSI) | 55,000 |
| 19. Merrill Lynch Canada, Inc. | 50,000 |
| 20. Wachovia Bank North Carolina | 32,300 |
| 21. BT Securities Corporation | 30,000 |
| 22. Morgan Stanley Trust Company | 30,000 |
| 23. Northern Trust Co. - Trust | 24,567 |
| 24. Ince & Co..... | 20,000 |
| 25. Merrill Lynch, Pierce, Fenner and Smith Safekeeping..... | 20,000 |
| 26. First Tennessee Bank, S.A. (Memphis)..... | 19,100 |
| 27. Republic New York Securities Corp. | 15,000 |
| 28. Salomon Brothers Inc..... | 15,000 |
| 29. Core States Bank N.A..... | 10,000 |
| 30. Chemical Bank..... | 8,500 |
| 31. First Trust National Association | 4,480 |
| 32. Goldman Sachs and Co. | 2,098 |
| 33. Harris Trust and Savings Bank | 1,300 |
| 34. Huntington National Bank | 1,153 |
| 35. Boatmen's Trust Company | 400 |
| 36. Any other holder of Preferred Securities or future transferee from any such holder.... | |
| Total..... | 4,997,000 |

None of the other Selling Holders has, or within the past three years has had, any position, office or other material relationship with the Trust or the Company or any of their predecessors or affiliates, except as noted above. Because the Selling Holders may, pursuant to this Prospectus, offer all or some portion of the Preferred Securities, the Convertible Subordinated Debentures or the Continental Class B common stock issuable upon conversion of the Preferred Securities, no estimate can be given as to the amount of the Preferred Securities, the Convertible Subordinated Debentures or the Continental Class B common stock issuable upon conversion of the Preferred Securities that will be held by the Selling Holders upon termination of any such sales. In addition, the Selling Holders identified above may have sold, transferred or otherwise disposed of all or a portion of their Preferred Securities, since the date on which they provided the information regarding their Preferred Securities, in transactions exempt from the registration requirements of the Securities Act.

PLAN OF DISTRIBUTION

The Offered Securities may be sold from time to time to purchasers directly by the Selling Holders. Alternatively, the Selling Holders may from time to time offer the Offered Securities to or through underwriters, broker/dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the Selling Holders or the purchasers of such securities for whom they may act as agents. The Selling Holders and any underwriters, broker/dealers or agents that participate in the distribution of Offered Securities may be deemed to be "underwriters" within the meaning of the Securities Act and any profit on the sale of such securities and any discounts, commissions, concessions or other compensation received by any such underwriter, broker/dealer or agent may be deemed to be underwriting discounts and commissions under the Securities Act.

The Offered Securities may be sold from time to time in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale or at negotiated prices. The sale of the Offered Securities may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Offered Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or in the over-the-counter market or (iv) through the writing of options. At the time a particular offering of the Offered Securities is made, a Prospectus Supplement, if required, will be distributed which will set forth the aggregate amount and type of Offered Securities being offered and the terms of the offering, including the name or names of any underwriters, broker/dealers or agents, any discounts, commissions and other terms constituting compensation from the Selling Holders and any discounts, commissions or concessions allowed or reallocated or paid to broker/dealers.

To comply with the securities laws of certain jurisdictions, if applicable, the Offered Securities will be offered or sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain jurisdictions the Offered Securities may not be offered or sold unless they have been registered or qualified for sale in such jurisdictions or any exemption from registration or qualification is available and is complied with.

The Selling Holders will be subject to applicable provisions

of the Exchange Act and the rules and regulations thereunder, which provisions may limit the timing of purchases and sales of any of the Offered Securities by the Selling Holders. The foregoing may affect the marketability of such securities.

Pursuant to the Registration Rights Agreement, all expenses of the registration of the Offered Securities will be paid by the Company, including, without limitation, Commission filing fees and expenses of compliance with state securities or "blue sky" laws; provided, however, that the Selling Holders will pay all underwriting discounts and selling commissions, if any. The Selling Holders will be indemnified by the Company and the Trust, jointly and severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith. The Company and the Trust will be indemnified by the Selling Holders severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

LEGAL MATTERS

The validity of the Preferred Securities, the Convertible Subordinated Debentures and the Guarantee, and certain United States Federal income taxation matters, will be passed upon for the Issuer and the Company by Cleary, Gottlieb, Steen & Hamilton, New York, New York and the validity of any Continental Class B common stock issuable upon conversion of the Preferred Securities will be passed upon for the Issuer and the Company by Jeffery A. Smisek, General Counsel of Continental.

EXPERTS

The consolidated financial statements (including schedules) of Continental Airlines, Inc. appearing in Continental Airline, Inc.'s Annual Report (Form 10-K) as of December 31, 1995 and 1994, and for the two years ended December 31, 1995 and the period April 28, 1993 through December 31, 1993, and the consolidated statements of operations, redeemable and non-redeemable preferred stock and common stockholders' equity and cash flows of Continental Airlines Holdings, Inc. for the period January 1, 1993 to April 27, 1993, incorporated by reference in this Prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference, in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by Continental Airlines, Inc. or Continental Airlines Finance Trust or any of their agents. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of Continental Airlines, Inc. or Continental Airlines Finance Trust since such date.

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CONTINENTAL AIRLINES

FINANCE TRUST

4,500,000

8 1/2% Convertible Trust Originated
Preferred Securities

guaranteed to the extent
set forth herein by,
and convertible into
Class B common stock of,

Continental Airlines, Inc.

PROSPECTUS

Dated _____, 1996

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with the distribution of the securities being registered hereunder, other than underwriting discounts and commissions, are:

Securities and Exchange Commission registration filing fee.....
\$ 115,018
Blue Sky qualification fees and expenses, including legal fee..
Printing and engraving expenses.....
Transfer agent and trustee fees and expenses.....
Accounting fees and expenses.....
Legal fees and expenses.....
Miscellaneous.....

_____ Total.....
\$

Item 15. Indemnification of Directors and Officers of the Company.

The Company's Certificate of Incorporation and bylaws provide that the Company will indemnify each of its directors and officers to the full extent permitted by the laws of the State of Delaware and may indemnify certain other persons as authorized by the Delaware General Corporation Law (the "GCL"). Section 145 of the GCL provides as follows:

"(a) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in

a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by a majority vote of the board of directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or

arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent for such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees).

The Certificate of Incorporation and bylaws also limit the personal liability of directors to the Company and its stockholders for monetary damages resulting from certain breaches of the directors' fiduciary duties. The bylaws of the Company provide as follows:

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the . . . GCL, or (iv) for any transaction from which the Director derived any improper personal benefit. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of Directors of the Corporation shall be eliminated or limited to the full extent permitted by the GCL,

as so amended."

The Company maintains directors' and officers' liability insurance.

INDEMNIFICATION OF DIRECTORS AND OFFICERS OF THE TRUST

The Declaration of the Trust provides that no Trustee, affiliate of any Regular Trustee, or any officers, directors, shareholders, members, partners, employees, representatives or agent of the Trust, or any employee or agent of the trust or its affiliates (each an "Indemnified Person") shall be liable, responsible or accountable in damages or otherwise to the Trust or any employee or agent of the trust or its affiliates for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by the Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the Trustee, negligence) or willful misconduct with respect to such acts or omissions. The Declaration of the Trust also provides that to the fullest extent permitted by applicable law, International Paper shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by the Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of gross negligence (or, in the case of the Trustee, negligence) or willful misconduct with respect to such acts or omissions. The Declaration of the Trust further provides that, to the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by International Paper prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by or an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified for the underlying cause of action as authorized by the Declaration. The directors and officers of International Paper and the Regular Trustees are covered by insurance policies indemnifying them against certain liabilities, including certain liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), which might be incurred by them in such capacities and against which they cannot be indemnified by International Paper or the Trust. The Selling Holders will be indemnified by International Paper and the Trust, jointly and severally, against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith. International Paper and the Trust will be indemnified by the Selling Holders severally against certain civil liabilities, including certain liabilities under the Securities Act, or will be entitled to contribution in connection therewith.

Item 16. Exhibits.

| Exhibit No. | Exhibit Description |
|---|--|
| 4.1* Finance Trust, | Declaration of Trust of Continental Airlines dated as of November 17, 1995 |
| 4.2* Continental 1995 among Trust and Lawrence Trustees | Amended and Restated Declaration of Trust of Airlines Finance Trust, dated as of November 28, Continental Airlines, Inc., as Sponsor, Wilmington Company, as Property Trustee and Delaware Trustee W. Kellner and Jeffery A. Smisek, as Regular |
| 4.3* of Trust, | Amendment to the Amended and Restated Declaration dated as of May 9, 1996 |
| 4.4* Debentures, Airlines, Inc. | Indenture for the 8 1/2% Convertible Subordinated dated as of November 28, 1995 among Continental and Wilmington Trust Company, as Trustee |
| 4.5* Exhibit 4.2 | Form of 8 1/2% Preferred Securities (included in above) |
| 4.6* (included in | Form of 8 1/2% Convertible Subordinated Debentures Exhibit 4.3 above) |
| 4.7* Guarantee, Airlines, as Preferred | Continental Airlines, Inc. Preferred Securities dated as of November 28, 1995, between Continental Inc., as Guarantor, and Wilmington Trust Company, Guarantee Trustee |
| 5.1** to the Subordinated hereby | Opinion of Cleary, Gottlieb, Steen & Hamilton as validity of the Preferred Securities, Convertible Debentures and Preferred Guarantee registered |
| 5.2** Continental common stock | Opinion of Jeffery A. Smisek, General Counsel of Airlines, Inc., as to the validity of the Class B being registered hereby |
| 10.1* 1995, Continental Lynch, Pierce, Corporation, Corporation and Initial | Registration Rights Agreement, dated November 28, between Continental Airlines Finance Trust, Airlines, Inc. and Merrill Lynch & Co., Merrill Fenner & Smith Incorporated, as First Boston Donaldson, Lufkin & Jenrette Securities Smith Barney Inc. as Representatives of the several Purchasers |
| 23.1* | Consent of Ernst & Young LLP |
| 23.2** (included in its | Consent of Cleary, Gottlieb, Steen & Hamilton opinion filed as Exhibits 5.1) |
| 23.3** | Consent of Cleary, Gottlieb, Steen & Hamilton |
| 23.4** | Consent of Jeffery A. Smisek, General Counsel of |

Continental
Exhibit 5.2) Airlines, Inc. (included in his opinion filed as

24.1* Powers of Attorney

25.1** Form T-1 Statement of Eligibility under the Trust
Indenture Act of 1939, as amended, of Wilmington Trust
Company, as Trustee under the 8 1/2% Convertible Subordinated
Debentures Indenture

25.2** Form T-1 Statement of Eligibility under the Trust
Indenture Act of 1939, as amended, of Wilmington Trust
Company, as Property Trustee under the Amended and Restated
Declaration of Trust

25.3** Form T-1 Statement of Eligibility under the Trust
Indenture Act of 1939, as amended, of Wilmington Trust
Company, as Preferred Guarantee Trustee under the Preferred
Securities Guarantee

* Filed herewith
** To be filed by amendment

Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as the indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be

governed
by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) to be part of this registration statement as
of the time it was declared effective. For purposes of
determining any liability under the Securities Act of
1933, the information omitted from the form of
prospectus

reliance
filed as part of this registration statement in
upon Rule 430A and contained in the form of prospectus
filed by the registrant pursuant to Rule 424(b)(1) or

(4) or 497(h) under the Securities Act shall be deemed

(2) For the purpose of determining any liability
under the Securities Act of 1933, each post-effective
amendment that contains a form of prospectus shall be
deemed to be a new registration statement relating to

the securities offered therein, and the offering of such
securities at that time shall be deemed to be the

initial bona fide offering thereof.

(e) To the extent the registrant intends to rely on section
305(b)(2) of the Trust Indenture Act of 1939 for determining the
eligibility of the trustee under indentures for securities to be
used, offered or sold on a delayed basis by or on behalf of the
registrant, the undersigned registrant hereby undertakes to file
an
application for the purpose of determining the liability of the
trustee to act under subsection (a) of section 310 of such Act in
accordance with the rules and regulations prescribed by the
Commission under section 305(b)(2) of such Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 24, 1996.

CONTINENTAL AIRLINES FINANCE TRUST

By: /s/Lawrence W. Kellner

Lawrence W. Kellner
Regular Trustee

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek
Regular Trustee

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on May 24, 1996.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek
Senior Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated, on May 24, 1996.

| Signature | Title |
|----------------------------------|---|
| _____ | _____ |
| * | |
| _____ Gordon M. Bethune | President, Chief Executive Officer (Principal Executive Officer) and Director |
| * | |
| _____ Lawrence W. Kellner | Senior Vice President and Chief Financial Officer (Principal Financial Officer) |
| * | |
| _____ Michael P. Bonds | Staff Vice President and Controller (Principal Accounting Officer) |
| * | |
| _____ Thomas J. Barrack, Jr. | Director |
| * | |
| _____ David Bonderman | Director |
| * | |
| _____ Gregory D. Brenneman | Director |
| * | |
| _____ Joel H. Cowan | Director |
| * | |
| _____ Patrick Foley | Director |
| * | |
| _____ Rowland C. Frazee, C.C. | Director |
| * | |
| _____ Hollis L. Harris | Director |
| * | |
| _____ Dean C. Kehler | Director |
| * | |
| _____ Robert L. Lumpkins | Director |
| * | |

*

David E. Mitchell, O.C.

Director

*

Richard W. Pogue

Director

*

William S. Price III

Director

*

Donald L. Sturm

Director

*

Claude I. Taylor, O.C.

Director

*

Karen Hastie Williams

Director

*

Charles A. Yamarone Director

By: /s/ Scott R. Peterson

Scott R. Peterson, Attorney-in-fact

EXHIBIT INDEX

| Exhibit No. | Exhibit Description |
|--|---|
| 4.1* Finance Trust, | Declaration of Trust of Continental Airlines Dated as of November 17, 1995 |
| 4.2* Continental 1995 among Trust and Regular | Amended and Restated Declaration of Trust of Airlines Finance Trust, dated as of November 28, Continental Airlines, Inc., as Sponsor, Wilmington Company, as Property Trustee and Delaware Trustee Lawrence W. Kellner and Jeffery A. Smisek, as Trustees |
| 4.3* of Trust, | Amendment to the Amended and Restated Declaration dated as of May 9, 1996 |
| 4.4* Debentures, Airlines, | Indenture for the 8 1/2% Convertible Subordinated dated as of November 28, 1995 among Continental Inc. and Wilmington Trust Company, as Trustee |
| 4.5* Exhibit 4.2 | Form of 8 1/2% Preferred Securities (included in above) |
| 4.6* Debentures (included | Form of 8 1/2% Convertible Subordinated in Exhibit 4.3 above) |
| 4.7* Guarantee, Airlines, as | Continental Airlines, Inc. Preferred Securities dated as of November 28, 1995, between Continental Inc., as Guarantor, and Wilmington Trust Company, Preferred Guarantee Trustee |
| 5.1** to the registered | Opinion of Cleary, Gottlieb, Steen & Hamilton as validity of the Preferred Securities, Convertible Subordinated Debentures and Preferred Guarantee hereby |
| 5.2** Continental common | Opinion of Jeffery A. Smisek, General Counsel of Airlines, Inc., as to the validity of the Class B stock being registered hereby |
| 10.1* 1995, Continental Lynch, Boston Securities Representatives | Registration Rights Agreement, dated November 28, between Continental Airlines Finance Trust, Airlines, Inc. and Merrill Lynch & Co., Merrill Pierce, Fenner & Smith Incorporated, as First Corporation, Donaldson, Lufkin & Jenrette Corporation and Smith Barney Inc. as several Initial Purchasers |
| 23.1* | Consent of Ernst & Young LLP |
| 23.2** (included in | Consent of Cleary, Gottlieb, Steen & Hamilton its opinion filed as Exhibits 5.1) |
| 23.3** | Consent of Cleary, Gottlieb, Steen & Hamilton |

23.3** Continental
Exhibit Consent of Jeffery A. Smisek, General Counsel of
Airlines, Inc. (included in his opinion filed as
5.2)

24.1* Powers of Attorney

25.1** Indenture
Company, as Debentures Form T-1 Statement of Eligibility under the Trust
Act of 1939, as amended, of Wilmington Trust
Trustee under the 8 1/2% Convertible Subordinated
Indenture

25.2** Indenture
Company, as Declaration Form T-1 Statement of Eligibility under the Trust
Act of 1939, as amended, of Wilmington Trust
Property Trustee under the Amended and Restated
of Trust

25.3** Form T-1 Statement of Eligibility under the Trust
Indenture Act of 1939, as amended, of Wilmington Trust
Company, as Preferred Guarantee Trustee under the Preferred
Securities Guarantee

* Filed herewith

** To be filed by amendment

DECLARATION OF TRUST
OF
CONTINENTAL AIRLINES FINANCE TRUST

November 17, 1995

DECLARATION OF TRUST ("Declaration") dated and effective as of November 17, 1995 by the undersigned trustees (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), the Parent as trust sponsor (the "Sponsor"), and by the holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor desire to establish a trust (the "Trust") pursuant to the Delaware Business Trust Act for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

NOW, THEREFORE, it being the intention of the parties hereto that the Trust constitute a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I
DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

- (a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) a term defined anywhere in this Declaration has the same meaning throughout;
- (c) all references to "the Declaration" or "this Declaration" are to this Declaration of Trust as modified, supplemented or amended from time to time;
- (d) all references in this Declaration to Articles and Sections are to Articles and Sections of this Declaration unless otherwise specified; and
- (e) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Business Day" means any day other than a day on which banking institutions in New York, New York or Wilmington, Delaware are authorized or required by law to close.

"Commission" means the Securities and Exchange Commission.

"Common Security" means a security representing an undivided beneficial interest in the assets of the Trust with such terms as may be set out in any amendment to this

Declaration.

"Covered Person" means any officer, director, shareholder, partner, member, representative, employee or agent of the Trust or the Trust's Affiliates.

"Debenture Issuer" means the Parent in its capacity as the issuer of the Debentures.

"Debentures" means the series of Debentures to be issued by the Debenture Issuer and acquired by the Trust.

"Delaware Trustee" has the meaning set forth in Section 3.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Indemnified Person" means (a) any Trustee; (b) any Affiliate of any Trustee; (c) any officers, directors, stockholders, members, partners, employees, representatives or agents of any Trustee; or (d) any employee or agent of the Trust or its Affiliates.

"Parent" means Continental Airlines, Inc., a Delaware corporation, or any successor entity in a merger.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Security" means a security representing an undivided beneficial interest in the assets of the Trust with such terms as may be set out in any amendment to this Declaration.

"Regular Trustee" means any Trustee other than the Delaware Trustee and the Property Trustee.

"Securities" means the Common Securities and the Preferred Securities.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Sponsor" means the Parent in its capacity as sponsor of the Trust.

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

ARTICLE II ORGANIZATION

SECTION 2.1 Name.

The Trust created by this Declaration is named "Continental Airlines Finance Trust." The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 2.2 Office.

The address of the principal office of the Trust is c/o Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019. At any time, the Regular Trustees may designate another principal office.

SECTION 2.3 Purpose.

The exclusive purposes and functions of the Trust are

(a) to issue and sell Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise provided herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

SECTION 2.4 Authority.

Subject to the limitations provided in this Declaration, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. Any action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust. In dealing with the Regular Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Regular Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Regular Trustees as set forth in this Declaration.

SECTION 2.5 Title to Property of the Trust.

Legal title to all assets of the Trust shall be vested in the Trust.

SECTION 2.6 Powers of the Trustees.

The Regular Trustees shall have the exclusive power and authority to cause the Trust to engage in the following activities:

- (a) to issue and sell the Preferred Securities and the Common Securities in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Preferred Securities and no more than one series of Common Securities, and, provided, further, that there shall be no interests in the Trust other than the Securities and the issuance of the Securities shall be limited to two simultaneous issuances of both Preferred Securities and Common Securities (and any second issuance shall be solely for the purpose of covering over-allotments in the initial offering of the Preferred Securities);
- (b) in connection with the issue and sale of the Preferred Securities, at the direction of the Sponsor, to:
 - (i) prepare an offering memorandum (the "Offering Memorandum") in preliminary and final form prepared by the Sponsor, in relation to the offering and sale of Preferred Securities to qualified institutional buyers in reliance on Rule 144A under the Securities Act, to a limited number of institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and to execute and file with the Commission, at such time as determined by the Sponsor pursuant to the Registration Rights Agreement, a shelf registration statement prepared by the Sponsor, including any amendments thereto, and such other forms or filings as may be required by the Securities Act or the Trust Indenture Act of 1939, as amended (the "TIA"), in each case in relation to the Preferred Securities;
 - (ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Preferred Securities in any State or foreign

jurisdiction in which the Sponsor has determined to qualify or register such Preferred Securities for sale;

- (iii) execute and file an application, prepared on behalf of the Sponsor, to the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market and, if and at such time as determined by the Sponsor, to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing or quotation of the Preferred Securities;
 - (iv) execute and deliver letters or documents to, or instruments with, The Depository Trust Company ("DTC") relating to the Preferred Securities;
 - (v) execute and file with the Commission, at such time as determined by the Sponsor, a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor relating to the registration of the Preferred Securities under the Exchange Act;
 - (vi) obtain a CUSIP number for the Preferred Securities; and
 - (vii) execute and enter into purchase agreements, registration rights agreements and other related agreements providing for the sale of the Preferred Securities;
- (c) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and provide for reasonable compensation for such services;
 - (d) to incur expenses which are necessary or incidental to carry out any of the purposes of this Declaration, which expenses shall be paid for by the Sponsor in all respects; and
 - (e) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing.

SECTION 2.7 Filing of Certificate of Trust.

On or after the date of execution of this Declaration, the Trustees shall cause the filing of the Certificate of Trust for the Trust in the form attached hereto as Exhibit A with the Secretary of State of the State of Delaware.

SECTION 2.8 Duration of Trust.

The Trust, absent termination pursuant to the provisions of Section 5.2, shall have existence for 35 years from the date hereof.

SECTION 2.9 Responsibilities of the Sponsor.

In connection with the issue and sale of the Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

- (a) to prepare the Offering Memorandum in preliminary and final form and to prepare for filing by the Trust with the Commission a shelf registration statement, including any amendments thereto, and such other forms or filings as may be required by the Securities Act or the TIA;
- (b) to determine the States and foreign jurisdictions in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by the Trust, and

advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States and foreign jurisdictions;

- (c) to prepare or cause to be prepared for filing by the Trust an application to PORTAL and to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing or quotation of the Preferred Securities;
- (d) to prepare letters or documents to, or instruments with, DTC relating to the Preferred Securities;
- (e) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A, including any amendments thereto, relating to the registration of the Preferred Securities under the Exchange Act; and
- (f) to negotiate the terms of purchase agreements, registration rights agreements and other related agreements providing for the sale of the Preferred Securities.

ARTICLE III TRUSTEES

SECTION 3.1 Trustees.

The initial number of Trustees shall be three (3), and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Sponsor. The Sponsor is entitled to appoint or remove without cause any Trustee at any time; provided, however, that the number of Trustees shall in no event be less than three (3); and provided, further that one Trustee shall be a person who is a resident of the State of Delaware (in the case of a natural person) or (if not a natural person) an entity which has its principal place of business in the State of Delaware (the "Delaware Trustee"). Except as expressly set forth in this Declaration, any power of the Regular Trustees may be exercised by, or with the consent of, a majority of the Regular Trustees.

The initial Regular Trustees shall be:

Lawrence W. Kellner and
Jeffery A. Smisek

c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019

The initial Delaware Trustee shall be:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Prior to the issuance of the Preferred Securities and Common Securities, the Sponsor shall appoint another trustee (the "Property Trustee") meeting the requirements of the TIA by the execution of an amendment to this Declaration executed by the Regular Trustees, the Sponsor, the Property Trustee and the Delaware Trustee.

SECTION 3.2 Delaware Trustee.

Notwithstanding any other provision of this Declaration, the Delaware Trustee in its capacity as Delaware Trustee shall not be entitled to exercise any of the powers, nor shall the Delaware Trustee in its capacity as Delaware Trustee have any of the duties and responsibilities of the Regular Trustees described in this Declaration. The Delaware Trustee in its capacity as Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.3 Execution of Documents.

(a) Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 2.6; provided, that, the shelf registration statement referred to in Section 2.6(b)(i), including any amendments thereto, shall be signed by a majority of the Regular Trustees; and

(b) a Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural Person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 2.6.

ARTICLE IV LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

SECTION 4.1 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions; and

(b) an Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which distributions to holders of Securities might properly be paid.

SECTION 4.2 Fiduciary Duty.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person;

(b) unless otherwise expressly provided herein:

- (i) whenever a conflict of interest exists or arises between Covered Persons; or
- (ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any holder of Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or

accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise; and

(c) whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

- (i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting the Trust or any other Person; or
- (ii) in its "good faith" or under another express standard,

the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law or rules of equity.

SECTION 4.3 Indemnification.

(a) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions; and

(b) to the fullest extent permitted by applicable law, expenses (including legal fees) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Sponsor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Sponsor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 4.3(a).

SECTION 4.4 Outside Businesses.

Any Covered Person and the Delaware Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person or the Delaware Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person and the Delaware Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person and the Delaware Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for or may act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE V AMENDMENTS, TERMINATION, MISCELLANEOUS

SECTION 5.1 Amendments.

At any time before the issue of any Securities, this Declaration may be amended by, and only by, a written instrument executed by all of the Regular Trustees and the Sponsor.

SECTION 5.2 Termination of Trust.

- (a) The Trust shall terminate and be of no further force or effect:
 - (i) upon the bankruptcy of the Sponsor; or
 - (ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor or the revocation of the Sponsor's charter or of the Trust's certificate of trust; or
 - (iii) upon the entry of a decree of judicial dissolution of the Sponsor or the Trust; or
 - (iv) before the issue of any Securities, with the consent of all of the Regular Trustees and the Sponsor; and
- (b) as soon as is practicable after the occurrence of an event referred to in Section 5.2(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

SECTION 5.3 Governing Law.

This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 5.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 5.5 Successors and Assigns.

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

SECTION 5.6 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 5.7 Counterparts.

This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

Lawrence W. Kellner,
as Regular Trustee

Jeffery A. Smisek,
as Regular Trustee

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Delaware Trustee

By: _____
Name:
Title:

Continental Airlines, Inc.,
as Sponsor

By: _____
Name:
Title:

EXHIBIT A

CERTIFICATE OF TRUST

The undersigned, the trustees of Continental Airlines Finance Trust, desiring to form a business trust pursuant to the Delaware Business Trust Act, 12 Del. C. Section 3810, hereby certify as follows:

- (a) The name of the business trust being formed hereby (the "Trust") is Continental Airlines Finance Trust.
- (b) The name and business address of the trustee of the Trust which has its principal place of business in the State of Delaware is as follows:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

Dated: November 17, 1995

Lawrence W. Kellner,
as Regular Trustee

Jeffery A. Smisek,
as Regular Trustee

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Delaware Trustee

By: _____
Name:
Title:

AMENDED AND RESTATED DECLARATION
OF TRUST

CONTINENTAL AIRLINES FINANCE TRUST

Dated as of November 28, 1995

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| Section of Trust Indenture Act of 1939, as amended | Section of Declaration |
|--|---------------------------|
| 310(a) | 5.3(a) |
| 310(c) | Inapplicable |
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| 313 | 2.3 |
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* This Cross-Reference Table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED
DECLARATION OF TRUST
OF
CONTINENTAL AIRLINES FINANCE TRUST

November 28, 1995

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of November 28, 1995, by the undersigned trustees (together with all other Persons from time to time duly appointed and serving as trustees in accordance with the provisions of this Declaration, the "Trustees"), Continental Airlines, Inc., a Delaware corporation, as trust sponsor (the "Sponsor"), and by the holders, from time to time, of undivided beneficial interests in the Trust issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor established a trust (the "Trust") under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of November 17, 1995 (the "Original Declaration") and a Certificate of Trust filed with the Secretary of State of Delaware on November 17, 1995, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

WHEREAS, as of the date hereof, no interests in the Trust have been issued;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I
INTERPRETATION AND DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Exhibits are to Articles and Sections of and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Book Entry Interest" means a beneficial interest in a global Certificate, ownership and transfers of which shall be maintained and made through book entries by a Depository as described in Section 9.4.

"Business Day" means any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York or Wilmington, Delaware are authorized or required by law or executive order to remain closed.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Certificate" means a certificate in global or definitive form representing a Common Security or a Preferred Security.

"Closing Date" means November 28, 1995 or any subsequent date on which the sale of Additional Preferred Securities (as defined in the Purchase Agreement) is settled.

"Code" means the Internal Revenue Code of 1986 as amended.

"Commission" means the Securities and Exchange Commission.

"Common Securities" has the meaning set forth in Section 7.1(a).

"Common Securities Guarantee" means the guarantee agreement dated as of November 28, 1995, of the Sponsor in respect of the Common Securities.

"Conversion Agent" has the meaning set forth in

Section 7.4.

"Covered Person" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Securities.

"Debenture Issuer" means the Sponsor in its capacity as issuer of the Debentures.

"Debenture Trustee" means Wilmington Trust Company, not in its individual capacity but solely as trustee under the Indenture, until a successor is appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the series of Debentures to be issued by the Debenture Issuer under the Indenture to be held by the Property Trustee, a specimen certificate for such series of Debentures being Exhibit B.

"Definitive Preferred Securities" means any Regulation S Definitive Preferred Security, any Restricted Definitive Preferred Security and any other Preferred Securities in definitive form issued by the Trust.

"Delaware Trustee" has the meaning set forth in Section 5.2.

"Distribution" means a distribution payable to Holders of Securities in accordance with Section 6.1.

"Depository" means The Depository Trust Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Exchanged Global Preferred Security" has the meaning set forth in Section 9.2(b).

"Event of Default" in respect of the Securities means an Event of Default (as defined in the Indenture) has occurred and is continuing in respect of the Debentures.

"Holder" means a Person in whose name a Certificate representing a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"Indemnified Person" means (a) any Trustee; (b) any Affiliate of any Trustee; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Trustee; and (d) any employee or agent of the Trust or its Affiliates.

"Indenture" means the Indenture dated as of November 28, 1995, between the Debenture Issuer and Wilmington Trust Company, not in its individual capacity but solely as Debenture Trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued.

"Investment Company" means an investment company as defined in the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Investment Company Event" means the Regular Trustees shall have obtained an opinion from independent counsel experienced in practice under the Investment Company Act to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act

Law"), there is more than an insubstantial risk that the Trust is or will be considered an investment company which is required to be registered under the Investment Company Act, which Change in 1940 Act Law becomes effective on or after the original issue date of the Preferred Securities and Common Securities.

"Legal Action" has the meaning set forth in Section 3.6(g).

"Ministerial Action" has the meaning set forth in the terms of the Securities as set forth in Annex I.

"Majority in liquidation amount of the Securities" means, except as provided in the terms of the Preferred Securities and by the Trust Indenture Act, Holder(s) of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Holder(s) of outstanding Common Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"No Recognition Opinion" has the meaning set forth in paragraph 4 of Annex I.

"Offering Memorandum" means the confidential offering memorandum, dated as of November 21, 1995, relating to the issuance by the Trust of the Preferred Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

- (a) a statement that each officer signing the Certificate has read the covenant or condition and the definitions relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Participants" has the meaning set forth in Section 7.3(b).

"Paying Agent" has the meaning set forth in Section 7.4.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities Guarantee" means the guarantee agreement dated as of November 28, 1995, of the Sponsor in respect of the Preferred Securities.

"Preferred Securities" has the meaning set forth in Section 7.1(a).

"Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Depository, or on the books of a Person maintaining an account with such Depository (directly as a Participant or as an indirect participant, in each case in accordance with the rules of such Depository).

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 5.3.

"Property Trustee Account" has the meaning set forth in Section 3.8(c).

"Purchase Agreement" shall have the meaning set forth in Section 7.3(a).

"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both of them.

"Redemption Tax Opinion" has the meaning set forth in paragraph 4 of Annex I.

"Registrar" has the meaning set forth in Section 7.4.

"Registration Rights Agreement" means the Registration Rights Agreement, dated November 28, 1995, among the Sponsor, the Trust, and the Initial Purchasers named in the Purchase Agreement.

"Regular Trustee" means any Trustee other than the Property Trustee, the Guarantee Trustee, the Debenture Trustee and the Delaware Trustee.

"Regulation S Definitive Preferred Security" has the meaning set forth in Section 7.3(c).

"Related Party" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Property Trustee, any vice-president, any assistant vice-president, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer in the Corporate Trust Department of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Restricted Definitive Preferred Security" has the meaning set forth in Section 7.3(c).

"Restricted Period" means the one-year period following the last issue date for the Preferred Securities (including Preferred Securities issued to cover overallocments and Common Securities issued in connection with related capital contributions). The Sponsor shall inform the Trustee as to the termination of the restricted period and the Trustee may rely conclusively thereon.

"Restricted Preferred Securities" shall include the Regulation S Definitive Preferred Securities, the Restricted Definitive Preferred Securities and the Rule 144A Global Preferred Securities.

"Restricted Security Legend" has the meaning set forth in Section 9.2(j).

"Rule 144A Global Preferred Security" has the meaning set forth in Section 7.3(a).

"Securities" means the Common Securities and the Preferred Securities.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Custodian" means the custodian with respect to the Rule 144A Global Preferred Security and any other Preferred Security in global form.

"Shelf Registration Statement" has the meaning set forth in Section 14.1.

"66-2/3% in liquidation amount of the Securities" means, except as provided in the terms of the Preferred Securities and by the Trust Indenture Act, Holders of outstanding Securities voting together as a single class or, as the context may require, Holders of Preferred Securities or Holder(s) of outstanding Common Securities voting separately as a class, representing at least 66 2/3% of the aggregate stated liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Sponsor" means Continental Airlines, Inc., a Delaware corporation, or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"Super Majority" has the meaning set forth in Section 2.6(a)(ii).

"Tax Event" means the Regular Trustees shall have received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after the date of the Offering Memorandum), which amendment or change is effective or which interpretation or pronouncement is announced on or after the date of the Offering Memorandum, there is more than an insubstantial risk that (i) the Trust is or will be subject to United States federal income tax with respect to income accrued or received on the Debentures, (ii) interest payable by the Debenture Issuer to the Trust on the Debentures is not or will not be deductible by the Debenture Issuer in whole or in part for United States federal income tax purposes or (iii) the Trust is or will be subject to more than a de minimis amount of other taxes, duties, assessments or other governmental charges.

"10% in liquidation amount of the Securities" means, except as provided in the terms of the Preferred Securities or by the Trust Indenture Act, Holders of outstanding Securities voting together as a single class or, as the context may require, Holder(s) of outstanding Preferred Securities or Holder(s) of outstanding Common Securities, voting separately as a class, representing 10% of the aggregate stated liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Securities of the relevant class.

"Treasury Regulations" means the income tax

regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Unrestricted Definitive Preferred Security" has the meaning set forth in Section 9.2(c).

ARTICLE II TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration, which are incorporated by reference in and made part of this Indenture and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Securities.

(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Property Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Securities ("List of Holders") as of such record date, provided, that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Regular Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided, that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Property Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Property Trustee.

Within 60 days after May 15 of each year, the

Property Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Property Trustee.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act may be given in the form of an Officers' Certificate.

SECTION 2.6 Event of Default; Waiver.

(a) The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default in respect of the Preferred Securities and its consequences, provided, that if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, the Event of Default under the Declaration also shall not be waivable; or

(ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority") to be waived under the Indenture, the Event of Default under the Declaration may only be waived by the vote of the Holders of at least the proportion in liquidation amount of the Preferred Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Preferred Securities of an Event of Default with respect to the Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holder(s) of the Common Securities.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, provided, that if the underlying Event of Default under the Indenture:

(i) is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the

Declaration also shall not be waivable; or

(ii) requires the consent or vote of a Super Majority to be waived, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration may only be waived by the vote of the Holders of at least the proportion in aggregate liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

provided, further, each Holder of Common Securities shall be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its or their consequences until all Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Preferred Securities and only the Holders of the Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of an Event of Default under the Indenture by the Property Trustee at the direction of the Holders of the Preferred Securities constitutes a waiver of the corresponding Event of Default under this Declaration.

SECTION 2.7 Event of Default; Notice.

(a) The Property Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all defaults with respect to the Securities known to the Property Trustee, unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby defined to be an Event of Default as defined in the Indenture, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided, that except for a default in the payment of principal of (or premium, if any) or interest (including Compounded Interest, Additional Interest and Liquidated Damages, if any (each as defined in the Indenture)) on any of the Debentures or in the payment of any sinking fund installment established for the Debentures, the Property Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Property Trustee shall not be deemed to have knowledge of any default except:

(i) a default under Sections 501(1) and 501(2) of the Indenture; or

(ii) any default as to which the Property Trustee shall have received written notice.

ARTICLE III ORGANIZATION

SECTION 3.1 Name.

The Trust is named "Continental Airlines Finance Trust," as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.

The address of the principal office of the Trust is c/o Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: General Counsel. On ten Business Days written notice to the Holders of Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 Purpose.

The exclusive purposes and functions of the Trust are (a) to issue and sell Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise provided herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

SECTION 3.4 Authority.

Subject to the limitations provided in this Declaration and to the specific duties of the Property Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. Any action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and any action taken by the Property Trustee in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.

Except as provided in Section 3.8 with respect to the Debentures and the Property Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.

The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Preferred Securities and the Common Securities in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Preferred Securities and no more than one series of Common Securities, and provided, further, that there shall be no interests in the Trust other than the Securities, and the issuance of Securities shall be limited to a one-time, simultaneous issuance of both Preferred Securities and Common Securities on the Closing Date and one additional simultaneous issuance of Preferred Securities and Common Securities solely to cover overallocments in connection with the sale of the Preferred Securities;

(b) in connection with the issue and sale of the Preferred Securities, at the direction of the

Sponsor, to:

(i) prepare the Offering Memorandum in preliminary and final form prepared by the Sponsor, in relation to the offering and sale of Preferred Securities to qualified institutional buyers in reliance on Rule 144A under the Securities Act, to a limited number of "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and to execute and file with the Commission, at such time as determined by the Sponsor pursuant to the Registration Rights Agreement, a shelf registration statement prepared by the Sponsor, including any amendments thereto, and such other forms or filings as may be required by the Securities Act, the Exchange Act or the Trust Indenture Act, in each case in relation to the Preferred Securities;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Preferred Securities in any State or foreign jurisdiction in which the Sponsor has determined to qualify or register such Preferred Securities for sale;

(iii) execute and file an application, prepared on behalf of the Sponsor, to the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market and, if and at such time as determined by the Sponsor, to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing or quotation of the Preferred Securities;

(iv) execute and deliver letters or documents, or instruments with, The Depository Trust Company ("DTC") relating to the Preferred Securities;

(v) execute and file with the Commission, at such time as determined by the Sponsor, a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor relating to the registration of the Preferred Securities under the Exchange Act;

(vi) obtain a CUSIP number for the Preferred Securities; and

(vii) execute and enter into the Purchase Agreement, the Registration Rights Agreement and other related agreements providing for the sale of the Preferred Securities;

(c) to acquire the Debentures with the proceeds of the sale of the Preferred Securities and the Common Securities; provided, however, that the Regular Trustees shall cause legal title to the Debentures to be held of record in the name of the Property Trustee for the benefit of the Holders of the Preferred Securities and the Holders of Common Securities;

(d) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Tax Event or an Investment Company Event; provided, that the Regular Trustees shall consult with the Sponsor and the Property Trustee before taking or refraining from taking any Ministerial Action in relation to a Tax Event or an Investment Company Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Preferred Securities and Holders of Common Securities

as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Securities;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Property Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(j) to give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by any Regular Trustee;

(k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, registrar and transfer agent for the Securities;

(m) to give prompt written notice to the Holders of the Securities of any notice received from the Debenture Issuer of its election to (i) defer payments of interest on the Debentures by extending the interest payment period under the Indenture or (ii) extend the scheduled maturity date on the Debentures;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust to be classified for United States federal income tax purposes as a grantor trust; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes,

provided, that such action does not adversely affect the interests of Holders; and

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be

duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8.

SECTION 3.7 Prohibition of Actions by the Trust and the Trustees.

(a) The Trust shall not, and the Trustees (including the Property Trustee) shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Property Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Declaration and of the Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever, including the power to convert the Debentures;

(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities; or

(vii) (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under Section 513 of the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that (x) the Trust will be deemed an Investment Company required to be registered under the Investment Company Act, or (y) for United States federal income tax purposes the Trust will not be classified as a grantor trust or partnership.

SECTION 3.8 Powers and Duties of the Property Trustee.

(a) The legal title to the Debentures shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Holders of the Securities. The right, title and interest of the Property Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 5.6. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and

delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee).

(c) The Property Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Property Trustee Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Property Trustee, deposit such funds into the Property Trustee Account and make payments to the Holders of the Preferred Securities and Holders of the Common Securities from the Property Trustee Account in accordance with Section 6.1. Funds in the Property Trustee Account shall be held uninvested until disbursed in accordance with this Declaration;

(ii) engage in such ministerial activities as so directed and as shall be necessary or appropriate to effect the redemption of the Preferred Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon notice of distribution issued by the Regular Trustees in accordance with the terms of the Securities, engage in such ministerial activities as so directed as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Securities upon the occurrence of an Investment Company Event or a Tax Event arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Securities.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Securities.

(e) The Property Trustee shall take any Legal Action which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Declaration or the Trust Indenture Act.

(f) The Property Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Securities pursuant to the terms of the Securities; or

(ii) a Successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 5.6.

(g) The Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if an Event of Default occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Securities. In no event, however, shall the Property Trustee, in its capacity as holder of the Debentures, have the power to convert the Debentures.

(h) The Property Trustee will act as Registrar, Paying Agent and Conversion Agent in Delaware to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all

Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Property Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee.

(i) Subject to this Section 3.8, the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Property Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Property Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

SECTION 3.9 Certain Duties and Responsibilities of the Property Trustee.

(a) The Property Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Property Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Property Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property Trustee; and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be

liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Declaration;

(iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it;

(v) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Debentures and the Property Trustee Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;

(vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Debentures or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor. Money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Trustee Account maintained by the Property Trustee pursuant to Section 3.8(c)(i) and except to the extent otherwise required by law; and

(viii) the Property Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for the default or misconduct of the Regular Trustees or the Sponsor.

SECTION 3.10 Certain Rights of Property Trustee.

(a) Subject to the provisions of Section 3.9:

(i) the Property Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Regular Trustees contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and

rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Regular Trustees;

(iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Property Trustee may consult with counsel or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion, and such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless such Holder shall have provided to the Property Trustee adequate security and indemnity, which would satisfy a reasonable person in the position of the Property Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee, provided, that nothing contained in this Section 3.10(a)(vi) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Declaration;

(vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, security, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;

(x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder the Property Trustee (i) may request instructions from the Holders of the

Securities which instructions may only be given by the Holders of the same proportion in liquidation amount of the Securities as would be entitled to direct the Property Trustee under the terms of the Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions; and

(xi) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

SECTION 3.11 Delaware Trustee.

Notwithstanding any provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Property Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 Execution of Documents.

Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, any Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; provided, that the registration statement referred to in Section 3.6(b)(i), including any amendments thereto, shall be signed by a majority of the Regular Trustees.

SECTION 3.13 Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Securities.

SECTION 3.14 Duration of Trust.

The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall exist until December 1, 2030.

SECTION 3.15 Mergers.

(a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other entity or person, except as described in Section 3.15(b) and (c).

(b) The Trust may, without the consent of the

Holders of the Preferred Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State or the District of Columbia; provided, that:

(i) if the Trust is not the surviving entity, the successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Securities; or

(B) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") as long as the Successor Securities rank, with respect to participation in the profits and distributions or in the assets of the Successor Entity, at least as high as the Preferred Securities rank with respect to participation in the profits and dividends or in the assets of the Trust;

(ii) the Debenture Issuer expressly acknowledges a trustee of such Successor Entity that possesses the same powers and duties as the Property Trustee as the Holder of the Debentures;

(iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with any other organization on which the Preferred Securities are then listed or quoted;

(iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interest in the Successor Entity);

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel (reasonably acceptable to the Trustees) to the Trust experienced in such matters to the effect that:

(A) the Successor Entity will be treated as a grantor trust for United States federal income tax purposes;

(B) following such merger, consolidation, amalgamation or replacement, neither the Sponsor nor the Successor Entity will be required to register as an Investment Company; and

(C) such merger, consolidation, amalgamation or replacement will not adversely affect the limited liability of the Holders of the Securities (including any Successor Securities); and

(viii) the Sponsor provides a guarantee to the Holders of the Successor Securities with respect

to the Successor Entity having substantially the same terms as the Preferred Securities Guarantee.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Common Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.

ARTICLE IV SPONSOR

SECTION 4.1 Sponsor's Purchase of Common Securities.

On each Closing Date the Sponsor will purchase all the Common Securities issued by the Trust, in an aggregate liquidation amount equal to approximately 3% of the total capital of the Trust, at the same time as the Preferred Securities are sold.

SECTION 4.2 Responsibilities of the Sponsor.

In connection with the issue and sale of the Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare the Offering Memorandum in preliminary and final form and to prepare for filing by the Trust with the Commission a shelf registration statement, including any amendments thereto and such other forms or filings as may be required by the Securities Act, the Exchange Act and the Trust Indenture Act;

(b) to determine the States and foreign jurisdictions in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States and foreign jurisdictions;

(c) to prepare or cause to be prepared for filing by the Trust an application to PORTAL and to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing or quotation of the Preferred Securities;

(d) to prepare letters or documents to, or instruments for filing with, DTC relating to the Preferred Securities;

(e) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Preferred Securities under the Exchange Act, including any amendments thereto; and

(f) to negotiate the terms of the Purchase Agreement, the Registration Rights Agreement and other related agreements providing for the sale of the Preferred Securities.

ARTICLE V TRUSTEES

SECTION 5.1 Number of Trustees.

The number of Trustees shall initially be three (3), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Securities:

the number of Trustees may be increased or decreased by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities,

provided, that if the Property Trustee does not also act as Delaware Trustee, the number of Trustees shall be at least five (5).

SECTION 5.2 Delaware Trustee.

If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law, provided, that if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application.

SECTION 5.3 Property Trustee; Eligibility.

(a) There shall at all times be one Trustee which shall act as Property Trustee which shall:

(i) not be an Affiliate of the Sponsor;
and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 5.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Property Trustee shall cease to be eligible to so act under Section 5.3(a), the Property Trustee shall immediately resign in the manner and with the effect set forth in Section 5.6(c).

(c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Preferred Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

SECTION 5.4 Qualifications of Regular Trustees and Delaware Trustee Generally.

Each Regular Trustee and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trust-

ee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 5.5 Initial Trustees.

The initial Regular Trustees shall be:

Lawrence W. Kellner
c/o Continental Airlines, Inc.
2929 Allen Parkway
Suite 2010
Houston, Texas 77019

and

Jeffery A. Smisek
c/o Continental Airlines, Inc.
2929 Allen Parkway
Suite 2010
Houston, Texas 77019

The initial Delaware Trustee shall be:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

The initial Property Trustee shall be:

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890

SECTION 5.6 Appointment, Removal and Resignation of Trustees.

(a) Subject to Section 5.6(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) The Trustee that acts as Property Trustee shall not be removed in accordance with Section 5.6(a) until a Successor Property Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Regular Trustees and the Sponsor; and

(c) The Trustee that acts as Delaware Trustee shall not be removed in accordance with this Section 5.6(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(d) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:

(A) until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Securities;

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(e) The Holder(s) of the Common Securities shall use its or their best efforts to promptly appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.6.

(f) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted such appointment as provided in this Section 5.6 within 60 days after delivery to the Sponsor and the Trust of an instrument of resignation, the resigning Property Trustee or Delaware Trustee, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(g) No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Property Trustee or Successor Delaware Trustee.

SECTION 5.7 Vacancies Among Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.6.

SECTION 5.8 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of a Regular Trustee in accordance with Section 5.6, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.9 Meetings.

Meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regul-

ar Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees.

SECTION 5.10 Delegation of Power.

(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendments thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

ARTICLE VI DISTRIBUTIONS

SECTION 6.1 Distributions.

Holders shall receive Distributions (as defined herein) in accordance with the applicable terms of the relevant Holder's Securities. Distributions shall be made on the Preferred Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest, Liquidated Damages and Additional Interest (each as defined in the Indenture)), principal or premium, if any, on the Debentures held by the Property Trustee (the amount of any such payment being a "Payment Amount"), the Property Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII ISSUANCE OF SECURITIES

SECTION 7.1 General Provisions Regarding Securities.

(a) The Regular Trustees shall on behalf of the Trust issue one class of convertible preferred securities, representing undivided beneficial interests in the assets of the Trust (the "Preferred Securities"), having such terms (the "Terms") as are set forth in Annex I hereto and one class of convertible common securities, representing undivided beneficial interests in the assets of the Trust (the "Common Securities"), having such terms as are set forth in Annex I hereto. The Trust shall have no securities or other interests in the assets of the Trust other than the Preferred Securities and the Common Securities. The Trust shall issue no Securities in bearer form.

(b) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(c) Upon issuance of the Securities as provided in this Declaration, the Securities so issued shall be deemed to be validly issued, fully paid and non-assessable, subject to Section 10.1 with respect to the Common Securities.

(d) Every Person, by virtue of having become a Holder or a Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

(e) The Securities shall have no preemptive rights.

SECTION 7.2 Execution and Authentication.

(a) The Securities shall be signed on behalf of the Trust by one Regular Trustee. In case any Regular Trustee of the Trust who shall have signed any of the Securities shall cease to be such Regular Trustee before the Securities so signed shall be delivered by the Trust, such Securities nevertheless may be delivered as though the person who signed such Securities had not ceased to be such Regular Trustee; and any Securities may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Securities, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee.

(b) One Regular Trustee shall sign the Preferred Securities for the Trust by manual or facsimile signature. Unless otherwise determined by the Trust, such signature shall, in the case of Common Securities, be a manual signature.

A Preferred Security shall not be valid until authenticated by the manual signature of an authorized officer of the Property Trustee. Such signature shall be conclusive evidence that the Preferred Security has been authenticated under this Declaration.

Upon a written order of the Trust signed by one Regular Trustee, the Property Trustee shall authenticate the Preferred Securities for original issue as set forth in paragraph 5 of the Securities. The aggregate number of Preferred Securities outstanding at any time shall not exceed the number set forth in the Terms in Annex I hereto except as provided in Section 7.7.

The Property Trustee may appoint an authenticating agent acceptable to the Trust to authenticate Preferred Securities. An authenticating agent may authenticate Preferred Securities whenever the Property Trustee may do so. Each reference in this Declaration to authentication by the Property Trustee includes authentication by such agent. Any authenticating agent has the same rights as the Property Trustee to deal with the Sponsor or an Affiliate of the Sponsor.

SECTION 7.3 Form and Dating.

The Preferred Securities and the Property Trustee's certificate of authentication shall be substantially in the forms of Exhibits A-1 and A-2 and the Common Securities shall be substantially in the form of Exhibit A-3, each of which is hereby incorporated in and expressly made a part of this Declaration. Certificates may be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as conclusively evidenced by their execution thereof. The Securities may have letters, numbers, notations or other marks of identification or designation and such legends or en-

dorsements required by law, stock exchange rule, agreements to which the Trust is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Trust). The Trust at the direction of the Sponsor shall furnish any such legend not contained in Exhibit A-1 or Exhibit A-2 to the Property Trustee in writing. Each Preferred Security shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Annex I and the forms of Securities set forth in Exhibits A-1, A-2 and A-3 are part of the terms of this Declaration and to the extent applicable, the Property Trustee and the Sponsor, by their execution and delivery of this Declaration, expressly agree to such terms and provisions and to be bound thereby.

(a) Global Securities. The Preferred Securities are being offered and sold by the Trust pursuant to a Purchase Agreement relating to the Preferred Securities, dated November 28, 1995, among the Trust, the Sponsor and the Initial Purchasers named therein (the "Purchase Agreement").

Securities offered and sold to Qualified Institutional Buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A") as provided in the Purchase Agreement, shall be issued in the form of one or more, permanent global Securities in definitive, fully registered form without distribution coupons with the appropriate global legends and Restricted Securities Legend set forth in Exhibit A-1 hereto (each, a "Rule 144A Global Preferred Security"), which shall be deposited on behalf of the purchasers of the Preferred Securities represented thereby with the Property Trustee, at its Wilmington, Delaware office, as custodian for the Depository, and registered in the name of the Depository or a nominee of the Depository, duly executed by the Trust and authenticated by the Property Trustee as hereinafter provided. The number of Preferred Securities represented by the Rule 144A Global Preferred Security may from time to time be increased or decreased by adjustments made on the records of the Property Trustee and the Depository or its nominee as hereinafter provided.

(b) Book-Entry Provisions. This Section 7.3(b) shall apply only to the Rule 144A Global Preferred Securities and such other Preferred Securities in global form as may be authorized by the Trust to be deposited with or on behalf of the Depository.

The Trust shall execute and the Property Trustee shall, in accordance with this Section 7.3, authenticate and deliver initially one or more Rule 144A Global Preferred Securities that (a) shall be registered in the name of Cede & Co. or other nominee of such Depository and (b) shall be delivered by the Property Trustee to such Depository or pursuant to such Depository's instructions or held by the Property Trustee as custodian for the Depository.

Members of, or participants in, the Depository ("Participants") shall have no rights under this Declaration with respect to any Rule 144A Global Preferred Security held on their behalf by the Depository or by the Property Trustee as the custodian of the Depository or under such Rule 144A Global Preferred Security, and the Depository may be treated by the Trust, the Property Trustee and any agent of the Trust or the Property Trustee as the absolute owner of such Rule 144A Global Preferred Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Trust, the Property Trustee or any agent of the Trust or the Property Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Participants, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Rule 144A Global Preferred Security.

(c) Certificated Securities. Except as pro-

vided in Section 7.10, owners of beneficial interests in the Rule 144A Global Preferred Security will not be entitled to receive physical delivery of certificated Preferred Securities. Preferred Securities offered and sold in reliance on Regulation S under the Securities Act ("Regulation S"), as provided in the Purchase Agreement, shall be issued initially in the form of individual certificates in definitive, fully registered form without distribution coupons and shall bear the Restricted Securities Legend set forth in Exhibit A-1 hereto (the "Regulation S Definitive Preferred Securities"). Purchasers of Securities who are institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and did not purchase Preferred Securities in reliance on Regulation S under the Securities Act will receive Preferred Securities in the form of individual certificates in definitive, fully registered form without distribution coupons and with the Restricted Securities Legend set forth in Exhibit A-1 hereto ("Restricted Definitive Preferred Securities"); provided, however, that upon transfer of such Restricted Definitive Preferred Securities to a QIB, such Restricted Definitive Preferred Securities will, unless the Rule 144A Global Preferred Security has previously been exchanged, be exchanged for an interest in a Rule 144A Global Preferred Security pursuant to the provisions set forth in Section 9.2. Restricted Definitive Preferred Securities will bear the Restricted Securities Legend set forth in Exhibit A-1 hereto unless removed in accordance with this Section 7.3 or Section 9.2.

SECTION 7.4 Registrar, Paying Agent and Conversion Agent.

The Trust shall maintain in Wilmington, Delaware, (i) an office or agency where Securities may be presented for registration of transfer or exchange ("Registrar"), (ii) an office or agency where Securities may be presented for payment ("Paying Agent") and (iii) an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Trust may appoint the Registrar, the Paying Agent and the Conversion Agent and may appoint one or more co-registrars, one or more additional paying agents and one or more additional conversion agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional conversion agent. The Trust may change any Paying Agent, Registrar, co-registrar or Conversion Agent without prior notice to any Holder. The Trust shall notify the Property Trustee of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Registrar, Paying Agent or Conversion Agent, the Property Trustee shall act as such for the Preferred Securities. The Trust or any of its Affiliates may act as Paying Agent, Registrar, or Conversion Agent. The Trust shall act as Paying Agent, Registrar, co-registrar, and Conversion Agent for the Common Securities.

The Trust initially appoints the Property Trustee as Registrar, Paying Agent, and Conversion Agent for the Preferred Securities.

SECTION 7.5 Paying Agent to Hold Money in Trust.

The Trust shall require each Paying Agent other than the Property Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Property Trustee all money held by the Paying Agent for the payment of principal or distribution on the Securities, and will notify the Property Trustee if there are insufficient funds. While any such insufficiency continues, the Property Trustee may require a Paying Agent to pay all money held by it to the Property Trustee. The Trust at any time may require a Paying Agent to pay all money held by it to the Property Trustee and to account for any money disbursed by it. Upon payment over to the Property Trustee, the Paying

Agent (if other than the Trust or an Affiliate of the Trust) shall have no further liability for the money. If the Trust or the Sponsor or an Affiliate of the Trust or the Sponsor acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 7.6 [reserved]

SECTION 7.7 Replacement Securities.

If the holder of a Security claims that the Security has been lost, destroyed or wrongfully taken or if such Security is mutilated and is surrendered to the Trust or in the case of the Preferred Securities to the Property Trustee, the Trust shall issue and the Property Trustee shall authenticate a replacement Security if the Property Trustee's and the Trust's requirements, as the case may be, are met. If required by the Property Trustee or the Trust, an indemnity bond must be posted in an amount sufficient in the judgment of both to protect the Trustees, the Property Trustee, the Sponsor or any authenticating agent from any loss which any of them may suffer if a Security is replaced. The Company may charge for its expenses in replacing a Security.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Sponsor pursuant to Article III hereof, the Sponsor in its discretion may, instead of issuing a new Security, pay or purchase such Security, as the case may be.

Every replacement Security is an additional obligation of the Trust.

SECTION 7.8 Outstanding Preferred Securities.

The Preferred Securities outstanding at any time are all the Preferred Securities authenticated by the Property Trustee except for those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Preferred Security is replaced, paid or purchased pursuant to Section 7.7 hereof, it ceases to be outstanding unless the Property Trustee receives proof satisfactory to it that the replaced, paid or purchased Preferred Security is held by a bona fide purchaser.

If Preferred Securities are considered paid in accordance with the terms of this Declaration, they cease to be outstanding and interest on them ceases to accrue.

A Preferred Security does not cease to be outstanding because one of the Trust, the Sponsor or an Affiliate of the Sponsor holds the Security.

SECTION 7.9 Preferred Securities in Treasury.

In determining whether the Holders of the required amount of Securities have concurred in any direction, waiver or consent, Preferred Securities owned by the Trust, the Sponsor or an Affiliate of the Sponsor, as the case may be, shall be disregarded and deemed not to be outstanding, except that for the purposes of determining whether the Property Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Property Trustee knows are so owned shall be so disregarded.

SECTION 7.10 Temporary Securities.

(a) Until definitive Securities are ready for delivery, the Trust may prepare and, in the case of the Preferred Securities, the Property Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Trust considers appropriate for temporary Securities. Without unreasonable delay, the Trust shall prepare and, in the

case of the Preferred Securities, the Property Trustee shall authenticate definitive Securities in exchange for temporary Securities.

(b) A Global Preferred Security deposited with the Depositary or with the Property Trustee as custodian for the Depositary pursuant to Section 7.3 shall be transferred to the beneficial owners thereof in the form of certificated Preferred Securities only if such transfer complies with Section 9.2 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Preferred Security or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Sponsor within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing.

(c) Any Global Preferred Security that is transferable to the beneficial owners thereof in the form of certificated Preferred Securities pursuant to this Section 7.10 shall be surrendered by the Depositary to the Property Trustee located in Wilmington, Delaware, to be so transferred, in whole or from time to time in part, without charge, and the Property Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Preferred Security, an equal aggregate liquidation amount of Securities of authorized denominations in the form of certificated Securities. Any portion of a Global Preferred Security transferred pursuant to this Section shall be registered in such names as the Depositary shall direct. Any Preferred Security in the form of certificated Preferred Securities delivered in exchange for an interest in the Restricted Global Preferred Security shall, except as otherwise provided by Sections 7.3 and 9.1, bear the Restricted Securities Legend set forth in Exhibit A-1 hereto.

(d) Subject to the provisions of Section 7.10(c), the registered holder of a Global Preferred Security may grant proxies and otherwise authorize any person, including Participants and persons that may hold interests through Participants, to take any action which a holder is entitled to take under this Declaration or the Securities.

(e) In the event of the occurrence of either of the events specified in Section 7.10(b), the Trust will promptly make available to the Property Trustee a reasonable supply of certificated Preferred Securities in definitive, fully registered form without distribution coupons.

SECTION 7.11 Cancellation.

The Trust at any time may deliver Securities to the Property Trustee for cancellation. The Registrar, Paying Agent and Conversion Agent shall forward to the Property Trustee any Securities surrendered to them for registration of transfer, redemption, conversion, exchange or payment. The Property Trustee shall promptly cancel all Securities surrendered for registration of transfer, redemption, conversion, exchange, payment, replacement or cancellation and shall dispose of canceled Securities as the Trust directs. The Trust may not issue new Securities to replace Securities that it has paid or that have been delivered to the Property Trustee for cancellation or that any holder has converted.

ARTICLE VIII TERMINATION OF TRUST

SECTION 8.1 Termination of Trust.

(a) The Trust shall terminate upon the earliest to occur of the following:

(i) the bankruptcy of the Holder of the Common Securities or the Sponsor;

(ii) the filing of a certificate of dissolution or its equivalent with respect to the Holder of the Common Securities or the Sponsor; the filing of a certificate of cancellation with respect to the Trust or the revocation of the charter of the Holder of the Common Securities or the Sponsor and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) the entry of a decree of judicial dissolution of the Holder of the Common Securities, the Sponsor or the Trust;

(iv) all of the Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Securities;

(v) the occurrence and continuation of a Tax Event or Investment Company Event pursuant to which the Trust shall have been dissolved in accordance with the terms of the Securities and all of the Debentures shall have been distributed to the Holders of Securities in exchange for all of the Securities; or

(vi) the expiration of the term of the Trust on December 1, 2030.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Article X shall survive the termination of the Trust.

ARTICLE IX TRANSFER AND EXCHANGE

SECTION 9.1 General.

(a) Where Preferred Securities are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal number of Preferred Securities represented by different certificates, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Trust shall issue and the Property Trustee shall authenticate Preferred Securities at the Registrar's request.

(b) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Securities. Any transfer or purported transfer of any Security not made in accordance with this Declaration shall be null and void.

Subject to this Article IX, the Sponsor and any Related Party may only transfer Common Securities to the Sponsor or a Related Party of the Sponsor; provided, that any such transfer is subject to the condition precedent that the transferor obtain the written opinion of nationally recognized independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:

(i) the Trust would not be classified for United States federal income tax purposes as a grantor trust; and

(ii) the Trust would be an Investment Company or the transferee would become an Investment Company.

(c) The Regular Trustees shall provide for the registration of Securities and of transfers of

Securities, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Securities, the Regular Trustees shall cause one or more new Securities to be issued in the name of the designated transferee or transferees. Every Security surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Security surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Security shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Security. By acceptance of a Security, each transferee shall be deemed to have agreed to be bound by this Declaration.

(d) The Trust shall not be required (i) to issue, register the transfer of, or exchange, Preferred Securities during a period beginning at the opening of business 15 days before the day of any selection of Preferred Securities for redemption set forth in the terms and ending at the close of business on the day of selection, or (ii) to register the transfer or exchange of any Preferred Security so selected for redemption in whole or in part, except the unredeemed portion of any Preferred Security being redeemed in part.

SECTION 9.2 Transfer Procedures and Restrictions.

(a) General. Except in connection with a Shelf Registration Statement contemplated by and in accordance with the terms of the Registration Rights Agreement, if Preferred Securities are issued upon the transfer, exchange or replacement of Preferred Securities bearing the Restricted Securities Legend set forth in Exhibit A-1 hereto, or if a request is made to remove such Restricted Securities Legend on Preferred Securities, the Preferred Securities so issued shall bear the Restricted Securities Legend, or the Restricted Securities Legend shall not be removed, as the case may be, unless there is delivered to the Trust such satisfactory evidence, which may include an opinion of counsel licensed to practice law in the State of New York, as may be reasonably required by the Trust, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or, with respect to Restricted Securities, that such Securities are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision of such satisfactory evidence, the Property Trustee, at the written direction of the Trust, shall authenticate and deliver Preferred Securities that do not bear the legend.

(b) Transfers After Effectiveness of Shelf Registration Statement. After the effectiveness of a Shelf Registration Statement for any Preferred Securities, all requirements pertaining to legends on such Preferred Security will cease to apply, and beneficial interests in a Preferred Security in global form without legends will be available to transferees of such Preferred Securities upon exchange of the transferring holder's Restricted Definitive Preferred Security or directions to transfer such Holder's beneficial interest in the Rule 144A Global Preferred Security, as the case may be. After the effectiveness of the Shelf Registration Statement, the Trust shall issue and the Property Trustee shall authenticate a Preferred Security in global form without the Restricted Securities Legend (the "Exchanged Global Preferred Security") to deposit with the Depository to evidence transfers of (i) beneficial interests from the Rule 144A Global Preferred Security, (ii) Restricted Definitive Preferred Securities, and (iii) Unrestricted Definitive Preferred Securities.

(c) Regulation S Definitive Preferred Security to Unrestricted Definitive Preferred Security; Termination of Restricted Period. Following the termination of the one-year "restricted period" with respect to the issuance of the Preferred Securities, Regulation S Definitive Preferred Securities may be exchanged for an interest in a Preferred Security in definitive, fully registered form without distribution coupons, but without the Restricted Securities Legend (an "Unrestricted Definitive Preferred Security"), that is free from any restriction on transfer (other than such as are solely attributable to any holder's status). Unrestricted Definitive Preferred Securities will bear a CUSIP number different from that of the Exchanged Global Preferred Securities and transfers or exchanges from an Unrestricted Definitive Preferred Security or Regulation S Definitive Preferred Security to an Exchanged Preferred Security must be effected pursuant to Section 9.2(b).

(d) Transfer and Exchange of Definitive Preferred Securities. When Definitive Preferred Securities are presented to the Registrar or co-registrar

(x) to register the transfer of such Definitive Preferred Securities; or

(y) to exchange such Definitive Preferred Securities for an equal number of Definitive Preferred Securities of another number,

the Registrar or co-registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Preferred Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Trust and the Registrar or co-registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and

(ii) in the case of Definitive Preferred Securities that are Restricted Definitive Preferred Securities, are being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (A) or (B) below, and are accompanied by the following additional information and documents, as applicable:

(A) if such Restricted Preferred Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect (in the form set forth on the reverse of the Preferred Security); or

(B) if such Restricted Preferred Securities are being transferred pursuant to an exemption from registration in accordance with Rule 144 or Regulation S under the Securities Act: (i) a certification to that effect (in the form set forth on the reverse of the Preferred Security) and (ii) if the Trust or Registrar so requests, evidence reasonably satisfactory to them as to the compliance with the restrictions set forth in the Restricted Securities Legend.

With respect to Definitive Preferred Securities that are transferred to QIBs in accordance with Rule 144A under the Securities Act, the transferee QIBs must take delivery of their interests in the Preferred Securities in the form of a beneficial interest in the Rule 144A Global Preferred Security in accordance with Section 9.2(e).

(e) Restrictions on Transfer of a Definitive

Preferred Security for a Beneficial Interest in a Global Preferred Security. A Definitive Preferred Security may not be exchanged for a beneficial interest in a Global Preferred Security except upon satisfaction of the requirements set forth below. Upon receipt by the Property Trustee of a Definitive Preferred Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Property Trustee, together with:

(i) if such Definitive Preferred Security is a Restricted Preferred Security, certification, in the form set forth on the reverse of the Preferred Security, that such Definitive Preferred Security is being transferred to a QIB in accordance with Rule 144A under the Securities Act; and

(ii) whether or not such Definitive Preferred Security is a Restricted Preferred Security, written instructions directing the Property Trustee to make, or to direct the Depository to make, an adjustment on its books and records with respect to such Global Preferred Security to reflect an increase in the number of the Preferred Securities represented by the Global Preferred Security,

then the Property Trustee shall cancel such Definitive Preferred Security and cause, or direct the Depository to cause, the aggregate number of Preferred Securities represented by the Global Preferred Security to be increased accordingly. If no Global Preferred Securities are then outstanding, the Trust shall issue and the Property Trustee shall authenticate, upon written order of any Regular Trustee, an appropriate number of Preferred Securities in global form.

(f) Transfer and Exchange of Global Preferred Securities. The transfer and exchange of Global Preferred Securities or beneficial interests therein shall be effected through the Depository, in accordance with this Declaration (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor.

(g) Transfer of a Beneficial Interest in a Global Preferred Security for a Definitive Preferred Security.

(i) Any person having a beneficial interest in a Global Preferred Security that is being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (A) or (B) below may upon request, and if accompanied by the information specified below, exchange such beneficial interest for a Definitive Preferred Security representing the same number of Preferred Securities. Upon receipt by the Property Trustee from the Depository or its nominee on behalf of any Person having a beneficial interest in a Global Preferred Security of written instructions or such other form of instructions as is customary for the Depository or the person designated by the Depository as having such a beneficial interest in a Restricted Preferred Security and the following additional information and documents (all of which may be submitted by facsimile):

(A) if such beneficial interest is being transferred to the person designated by the Depository as being the owner of a beneficial interest in a Global Preferred Security, a certification from such Person to that effect (in the form set forth on the reverse of the Preferred Security); or

(B) if such beneficial interest is being transferred pursuant to an exemption from registration in accordance with Rule 144 or Regulation S under the Securities Act: (i) a certification to that effect

from the transferee or transferor (in the form set forth on the reverse of the Preferred Security) and (ii) if the Property Trustee or Registrar so requests, evidence reasonably satisfactory to them as to the compliance with the restrictions set forth in the legend set forth in Section 9.2(j),

then the Property Trustee or the Securities Custodian, at the direction of the Property Trustee, will cause, in accordance with the standing instructions and procedures existing between the Depositary and the Securities Custodian, the aggregate principal amount of the Global Preferred Security to be reduced on its books and records and, following such reduction, the Trust will execute and the Property Trustee will authenticate and deliver to the transferee a Definitive Preferred Security.

(ii) Definitive Preferred Securities issued in exchange for a beneficial interest in a Global Preferred Security pursuant to this Section 9.2(g) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its Participants or indirect participants or otherwise, shall instruct the Property Trustee. The Property Trustee shall deliver such Preferred Securities to the persons in whose names such Preferred Securities are so registered in accordance with the instructions of the Depositary.

Beneficial interests in the Rule 144A Global Security may not be exchanged for a Definitive Preferred Security except a Regulation S Definitive Preferred Security and except as provided in Section 9.2(i).

(h) Restrictions on Transfer and Exchange of Global Preferred Securities. Notwithstanding any other provisions of this Declaration (other than the provisions set forth in subsection (i) of this Section 9.2), a Global Preferred Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

With respect to Definitive Preferred Securities that are transferred to QIBs in accordance with Rule 144A under the Securities Act, the transferee QIBs must take delivery of their interests in the Preferred Securities in the form of a beneficial interest in the Rule 144A Global Preferred Security in accordance with Section 9.2(e).

(i) Authentication of Definitive Preferred Securities. If at any time:

(i) the Depositary notifies the Trust that the Depositary is unwilling or unable to continue as Depositary for the Global Preferred Securities and a successor Depositary for the Global Preferred Securities is not appointed by the Trust at the direction of the Sponsor within 90 days after delivery of such notice; or

(ii) the Trust, in its sole discretion, notifies the Property Trustee in writing that it elects to cause the issuance of Definitive Preferred Securities under this Declaration,

then the Trust will execute, and the Property Trustee, upon receipt of a written order of the Trust signed by One Regular Trustee requesting the authentication and delivery of Definitive Preferred Securities to the Persons designated by the Trust, will authenticate and deliver Definitive Preferred Securities, in an aggregate principal amount equal to the principal amount of Global Preferred Securities, in exchange for such Global Preferred Securities.

(j) Legend.

(i) Except as permitted by the following paragraph (ii), each Preferred Security certificate evidencing the Global Preferred Securities and the Definitive Preferred Securities (and all Preferred Securities issued in exchange therefor or substitution thereof) shall bear a legend (the "Restricted Securities Legend") in substantially the following form:

THIS SECURITY, ANY CONVERTIBLE SUBORDINATED DEBENTURE ISSUED IN EXCHANGE FOR THIS SECURITY AND ANY CLASS B COMMON STOCK ISSUED ON CONVERSION THEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE COMPANY, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(ii) Upon any sale or transfer of a Restricted Preferred Security (including any Restricted Preferred Security represented by a Global Preferred Security) pursuant to Rule 144 under the Securities Act or an effective registration statement under the Securities Act:

(A) in the case of any Restricted Preferred Security that is a Definitive Preferred Security, the Registrar shall permit the Holder thereof to exchange such Restricted Preferred Security for a Definitive Preferred Security that does not bear the Restricted Securities Legend and rescind any restriction on the transfer of such Restricted Preferred Security; and

(B) in the case of any Restricted Preferred Security that is represented by a Global Preferred Security, the Registrar shall permit the Holder thereof to exchange such Restricted Preferred Security (in connection with the sale of a Preferred Security pursuant to the Registration Rights Agreement) for another Global Preferred Security that does not bear the Restricted Securities Legend.

(k) Cancellation or Adjustment of Global Preferred Security. At such time as all beneficial interests in a Global Preferred Security have either been exchanged for Definitive Preferred Securities to the extent permitted by the Declaration or redeemed, repurchased or canceled in accordance with the terms of this Declaration, such Global Preferred Security shall be returned to the Depository for cancellation or retained and canceled by the Property Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Preferred Security is exchanged for Definitive Preferred Securities, Preferred Securities represented by such Global Preferred Security shall be reduced and an adjustment shall be made on the books and records of the Property Trustee (if it is then the Securities Custodian for such Global Preferred Security) with respect to such Global Preferred Security, by the Property Trustee or the Securities Custodian, to reflect such reduction.

(l) Obligations with Respect to Transfers and Exchanges of Preferred Securities.

(i) To permit registrations of transfers and exchanges, the Trust shall execute and the Property Trustee shall authenticate Definitive Preferred Securities and Global Preferred Securities at the Registrar's or co-Registrar's request.

(ii) Registrations of transfers or exchanges will be effected without charge, but only upon payment (with such indemnity as the Trust or the Sponsor may require) in respect of any tax or other governmental charge that may be imposed in relation to it.

(iii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any Definitive Preferred Security selected for redemption in whole or in part pursuant to Article 3, except the unredeemed portion of any Definitive Preferred Security being redeemed in part, or (b) any Preferred Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Preferred Securities or 15 Business Days before a quarterly distribution date.

(iv) Prior to the due presentation for registration of transfer of any Preferred Security, the Trust, the Property Trustee, the Paying Agent, the Registrar or any co-registrar may deem and treat the person in whose name a Preferred Security is registered as the absolute owner of such Preferred Security for the purpose of receiving Distributions on such Preferred Security and for all other purposes whatsoever, and none of the Trust, the Property Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(v) All Preferred Securities issued upon

any transfer or exchange pursuant to the terms of this Declaration shall evidence the same security and shall be entitled to the same benefits under this Declaration as the Preferred Securities surrendered upon such transfer or exchange.

(m) No Obligation of the Property Trustee.

(i) The Property Trustee shall have no responsibility or obligation to any beneficial owner of a Global Preferred Security, a Participant in the Depositary or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any Participant thereof, with respect to any ownership interest in the Preferred Securities or with respect to the delivery to any Participant, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Preferred Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Preferred Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Preferred Security). The rights of beneficial owners in any Global Preferred Security shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Property Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its Participants and any beneficial owners.

(ii) The Property Trustee and Registrar shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Declaration or under applicable law with respect to any transfer of any interest in any Preferred Security (including any transfers between or among Depositary Participants or beneficial owners in any Global Preferred Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Declaration, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 9.3 Deemed Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust, the Property Trustee, the Registrar or an co-registrar shall have actual or other notice thereof.

SECTION 9.4 Book Entry Interests.

Global Preferred Securities shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of the Depositary, and no Preferred Security Beneficial Owner will receive a definitive Preferred Security Certificate representing such Preferred Security Beneficial Owner's interests in such Global Preferred Securities, except as provided in Section 9.2(g). Unless and until definitive, fully registered Preferred Securities Certificates have been issued to the Preferred Security Beneficial Owners pursuant to Sections 7.10 or 9.2(g):

(a) the provisions of this Section 9.4 shall be in full force and effect;

(b) the Trust and the Trustees shall be entitled to deal with the Depositary for all purposes of this Declaration (including the payment of Distributions on the relevant Global Preferred Securities and receiving approvals, votes or consents hereunder) as the Holder of the Preferred Securities and the sole holder of the Global Preferred Securities and shall have no obligation to the Preferred Security Beneficial Owners;

(c) to the extent that the provisions of this Section 9.4 conflict with any other provisions of this Declaration, the provisions of this Section 9.4 shall control; and

(d) the rights of the Preferred Security Beneficial Owners shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such Preferred Security Beneficial Owners and the Depositary and/or the Participants and receive and transmit payments of Distributions on the Global Certificates to such Participants. The Depositary will make book entry transfers among the Participants.

SECTION 9.5 Notices to the Depositary.

Whenever a notice or other communication to the Preferred Security Holders is required under this Declaration, the Regular Trustees shall, in the case of any Global Preferred Security, give all such notices and communications specified herein to be given to the Preferred Security Holders to the Depositary, and shall have no notice obligations to the Preferred Security Beneficial Owners.

ARTICLE X LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

SECTION 10.1 Liability.

(a) Except as expressly set forth in this Declaration, the Securities Guarantees and the terms of the Securities the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Holder of the Common Securities shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Preferred Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 10.2 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim in-

curring by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

SECTION 10.3 Fiduciary Duty.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between an Indemnified Person and any Covered Person; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interests of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law or rules of equity.

SECTION 10.4 Indemnification.

(a) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person by reason of the creation, operation or termination of the Trust or any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Declaration, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

(b) To the fullest extent permitted by applicable law, expenses (including legal fees and expenses) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Sponsor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Sponsor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 10.4(a). The indemnification shall survive the termination of this Declaration.

SECTION 10.5 Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI ACCOUNTING

SECTION 11.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax

purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year by a firm of independent certified public accountants selected by the Regular Trustees.

(b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss;

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 11.3 Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Property Trustee shall be made directly to the Property Trustee Account and no other funds of the Trust shall be deposited in the Property Trustee Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Property Trustee shall designate the signatories for the Property Trustee Account.

SECTION 11.4 Withholding.

The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to Distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce subsequent Distributions by the amount of such withholding.

ARTICLE XII AMENDMENTS AND MEETINGS

SECTION 12.1 Amendments.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees, a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

(b) no amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received:

(A) an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

(B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the Trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;

(B) reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(c) at such time after the Trust has issued any Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Securities may be effected only with such additional requirements as may be set forth in the terms of such Securities;

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities;

(f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Securities to:

(i) cure any ambiguity;

(ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;

(iii) add to the covenants, restrictions or obligations of the Sponsor; and

(iv) conform to any change in Rule 3a-5 of the Investment Company Act or written change in interpretation or application of Rule 3a-5 of the Investment Company Act by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the rights, preferences or privileges of the Holders.

SECTION 12.2 Meetings of the Holders of Securities;
Action by Written Consent.

(a) Meetings of the Holders of any class of Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of such class of Securities are entitled to act under the terms of this Declaration, the terms of the Securities or the rules of any stock exchange on which the Preferred Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 10% in liquidation amount of such class of Securities. Such direction shall be given by delivering to the Regular Trustees one or more requests in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those Securities represented by the Certificates so specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of Securities:

(i) notice of any such meeting shall be given to all the Holders of Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Securities owning not less than the minimum aggregate liquidation amount of Securities that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Security Holders for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Preferred Securities are then listed or trading provide otherwise, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII

REPRESENTATIONS OF PROPERTY TRUSTEE AND DELAWARE TRUSTEE

SECTION 13.1 Representations and Warranties of Property Trustee.

The Trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration and at the time of Closing, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee that:

(a) The Property Trustee is a banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with corporate power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration.

(b) The execution, delivery and performance by the Property Trustee of the Declaration have been duly authorized by all necessary corporate action on the part of the Property Trustee. The Declaration has been duly executed and delivered by the Property Trustee, and constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of the Declaration by the Property Trustee does not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Property Trustee.

(d) At the Closing Date, the Property Trustee will have valid ownership interest in the Debentures for the benefit of the holders of the Securities in each case free from liens, encumbrances and defects.

(e) No consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Property Trustee of the Declaration.

SECTION 13.2 Representations and Warranties of Delaware Trustee.

The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration and at the time of Closing, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) The Delaware Trustee is a banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with corporate power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration.

(b) The execution, delivery and performance by the Delaware Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Delaware Trustee. The Declaration has been duly executed and delivered by the Delaware Trustee, and constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of the Declaration by the Delaware Trustee does not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Delaware Trustee.

(d) No consent, approval or authorization of, or registration with or notice to, any United States state or federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of the Declaration.

(e) The Delaware Trustee is an entity which has its principal place of business in the State of Delaware.

(f) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

ARTICLE XIV REGISTRATION RIGHTS

SECTION 14.1 Registration Rights.

The Holders of the Preferred Securities, the Debentures and the Class B common stock of the Sponsor issuable upon conversion thereof are entitled to the

benefits of the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, the Trust and the Sponsor have agreed for the benefit of the Holders from time to time of the Preferred Securities, the Guarantee, the Debentures and the Class B common stock of the Sponsor issuable upon conversion thereof that they will, at the Sponsor's expense, (i) within 180 days after the date of issuance of the Securities (the "Filing Date"), file a shelf registration statement (the "Shelf Registration Statement") with the Commission with respect to resales of the Preferred Securities, the Guarantee, the Debentures and the Class B Common Stock issuable upon conversion thereof, (ii) within 60 days after the Filing Date (the "Effectiveness Date"), use their best efforts to cause such Shelf Registration Statement to be declared effective by the Commission and (iii) use their best efforts to maintain such Shelf Registration Statement continuously effective under the Securities Act until the third anniversary of the effectiveness of the Shelf Registration Statement or such earlier date as is provided in the Registration Rights Agreement (the "Effectiveness Period").

If (i) on or prior to 180 days following the date of original issuance of the Preferred Securities, a Shelf Registration Statement has not been filed with the Commission, or (ii) on or prior to the 60th day following the filing of such Shelf Registration Statement, such Shelf Registration Statement is not declared effective (each, a "Registration Default"), additional interest ("Liquidated Damages") will accrue on the Debentures and, accordingly, additional distributions will accrue on the Preferred Securities, in each case from and including the day following such Registration Default to but excluding the day on which such Registration Default has been cured. Liquidated Damages will be paid quarterly in arrears, with the first quarterly payment due on the first distribution payment date following the date on which such Liquidated Damages begin to accrue, and will accrue at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the liquidation amount of the Securities to and including the 90th day following such Registration Default and at a rate per annum equal to one-half of one percent (0.50%) thereof from and after the 91st day following such Registration Default. In the event that the Shelf Registration Statement ceases to be effective during the Effectiveness Period for more than 60 days, whether or not consecutive, during any 12-month period, then the distribution rate borne by the Preferred Securities shall increase by an additional one-half of one percent (0.50%) per annum from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to but excluding the day on which the Shelf Registration Statement again becomes effective.

During the Effectiveness Period the Trust and Continental shall notify DTC and the Paying Agent(s) with respect to the Securities then outstanding within three business days after each Registration Default and each lapse in effectiveness of a Shelf Registration Statement. Any Liquidated Damages due and payable hereunder shall be paid by depositing with the Paying Agent(s), in trust, for the benefit of the Holders quarterly on or before the applicable quarterly distribution payment date, immediately available funds in sums sufficient to pay the Liquidated Damages then due. Any Liquidated Damages due and payable hereunder shall be payable on each payment date to the record Holder of Securities entitled to receive the payment to be paid on such date.

ARTICLE XV
MISCELLANEOUS

SECTION 15.1 Notices.

All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Securities):

c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attention: General Counsel

(b) if given to the Property Trustee, at the mailing address set forth below (or such other address as the Property Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

(c) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attention: General Counsel

(d) if given to any other Holder, at the address set forth on the books and records of the Trust or the Registrar, as applicable.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 15.2 Governing Law.

This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 15.3 Intention of the Parties.

It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 15.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 15.5 Successors and Assigns

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

SECTION 15.6 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 15.7 Counterparts.

This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

Lawrence W. Kellner,
as Regular Trustee

Jeffery A. Smisek,
as Regular Trustee

Wilmington Trust Company,
not in its individual
capacity but solely as
Delaware Trustee

By: _____
Name:
Title:

Wilmington Trust Company,
not in its individual
capacity but solely as
Property Trustee

By: _____
Name:
Title:

CONTINENTAL AIRLINES, INC.,
as Sponsor

By: _____
Name:
Title:

ANNEX I

TERMS OF
8-1/2% CONVERTIBLE TRUST ORIGINATED PREFERRED SECURITIES
8-1/2% CONVERTIBLE COMMON SECURITIES

Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of November 28, 1995 by and among Continental Airlines, Inc., as sponsor ("Continental"), Wilmington Trust Company, as Property Trustee and Delaware Trustee and the Regular Trustees listed on the signature page thereto (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Offering Memorandum referred to below):

1. Designation and Number.

- A. "Preferred Securities." 4,500,000 Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of Two Hundred Twenty-Five Million Dollars (\$225,000,000), plus up to an additional 675,000 Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of Thirty-Three Million Seven Hundred Fifty Thousand Dollars (\$33,750,000) solely to cover over-allotments, as provided for in the Purchase Agreement (the "Additional Preferred Securities"), and a liquidation amount with respect to the assets of the Trust of \$50 per Preferred Security, are hereby designated for the purposes of identification only as "8-1/2% Convertible Trust Originated Preferred Securities (liquidation amount \$50 per Preferred Security)" (the "Preferred Securities"). The certificates evidencing the Preferred Securities shall be substantially in the form attached hereto as Exhibit A-1 and Exhibit A-2, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange or other organization on which the Preferred Securities are listed.
- B. "Common Securities." 139,175 Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of Six Million Nine Hundred Fifty-Eight Thousand Seven Hundred Fifty Dollars (\$6,958,750), plus up to an additional 20,877 Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of One Million Forty-Three Thousand Eight Hundred Fifty Dollars (\$1,043,850) to meet the capital requirements of the Trust in the event of an issuance of Additional Preferred Securities, and a liquidation amount with respect to the assets of the Trust of \$50 per Common Security, are hereby designated for the purposes of identification only as "8-1/2% Convertible Common Securities (liquidation amount \$50 per Convertible Common Security)" (the "Common Securities"). The certificates evidencing the Common Securities shall be substantially in the form attached hereto as Exhibit A-3, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. Distributions.

- A. Distributions payable on each Security will be fixed at

a rate per annum of 8-1/2% (the "Coupon Rate") of the stated liquidation amount of \$50 per Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

- B. Distributions on the Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on the following dates, which dates correspond to the interest payment dates on the Debentures: March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 1996, except as otherwise described below. The Debenture Issuer has the right under the Indenture, at any time and from time to time, to defer payments of interest by extending the interest payment period on the Debentures for successive periods not exceeding 20 consecutive quarters (each an "Extension Period") and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, that such Extension Period together with all such further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.
- C. Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. The relevant record dates for the Preferred Securities shall be 15 days prior to the relevant payment dates, except as otherwise described in this Annex I to the Declaration. Subject to any applicable laws and regulations and the provisions of the Declaration, the relevant record date in respect of Preferred Securities being held solely in book-entry form through The Depository Trust Company (the "Depository") will be one Business Day prior to the relevant payment dates, and each such payment will be made as described under the heading "Description of the Preferred Securities -- Book-entry only issuance -- The Depository Trust Company" in the Offering Memorandum. The relevant record dates for the Common Securities shall be the same record dates as for the Preferred Securities. Distributions payable on any Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, will cease to be payable to the Person in whose name such Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the

Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

- D. In the event of an election by the Holder to convert its Securities through the Conversion Agent into Class B Common Stock, \$.01 par value per share, of Continental ("Class B Common Stock") pursuant to the terms of the Securities as forth in this Annex I to the Declaration, no payment, allowance or adjustment shall be made with respect to accumulated and unpaid Distributions on such Securities, or be required to be made; provided, that Holders of Securities at the close of business on any record date for the payment of Distributions will be entitled to receive the Distributions payable on such Securities on the corresponding payment date notwithstanding the conversion of such Securities into Class B Common Stock following such record date.
- E. In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Securities.

3. Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Securities on the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive out of the assets of the Trust available for distribution to Holders of Securities after satisfaction of liabilities of creditors an amount equal to the aggregate of the stated liquidation amount of \$50 per Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, Debentures in an aggregate principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate equal to the Coupon Rate of, and bearing accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Securities, shall be distributed on a Pro Rata basis to the Holders of the Securities in exchange for such Securities.

If, upon any such dissolution, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Securities shall be paid on a Pro Rata basis in accordance with paragraph 9 of this Annex I.

4. Redemption and Distribution.

- A. Upon the repayment or payment of the Debentures in whole or in part, whether at maturity or upon acceleration, redemption or otherwise, the proceeds from such repayment or redemption shall be simultaneously applied to the extent of such proceeds to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price of \$50 per Security together with accrued and unpaid Distributions thereon through the date of the redemption, payable in cash (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days' notice of such redemption.
- B. If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Preferred Securities will be redeemed Pro Rata and the Preferred Securities to be redeemed will be determined as described in Paragraph 4(e)(ii) below.

C. If, at any time, a Tax Event shall occur and be continuing the Sponsor shall cause the Regular Trustees to liquidate the Trust and, after satisfaction of creditors of the Trust, cause Debentures to be distributed to the Holders of the Securities in liquidation of the Trust within 90 days following the occurrence of such Tax Event (the "90 Day Period"); provided, however, that such liquidation and distribution shall be conditioned on (i) the Regular Trustees' receipt of an opinion of a nationally recognized independent tax counsel experienced in such matters (a "No Recognition Opinion"), which opinion may rely on published revenue rulings of the Internal Revenue Service, to the effect that the Holders of the Securities will not recognize any income, gain or loss for United States federal income tax purposes as a result of such liquidation and distribution of Debentures, and (ii) the Sponsor being unable to avoid such Tax Event within such 90-day period by taking some ministerial action or pursuing some other reasonable measure that, in the sole judgment of the Sponsor, will have no adverse effect on the Trust, the Sponsor or the Holders of the Securities and will involve no material cost ("Ministerial Action").

If (i) the Debenture Issuer has received an opinion (a "Redemption Tax Opinion") of a nationally recognized independent tax counsel (reasonably acceptable to the Regular Trustees) experienced in such matters that, as a result of a Tax Event, there is more than an insubstantial risk that the Debenture Issuer would be precluded from deducting the interest on the Debentures for United States federal income tax purposes, even after the Debentures were distributed to the Holders of Securities upon liquidation of the Trust as described in this paragraph 4(c), or (ii) the Regular Trustees shall have been informed by such tax counsel that it cannot deliver a No Recognition Opinion, the Debenture Issuer shall have the right, upon not less than 30 nor more than 60 days' notice, and within 90 days following the occurrence of such Tax Event, to redeem the Debentures in whole (but not in part) for cash, at par plus accrued and unpaid interest, including any Additional Payments, and, following such redemption, all the Securities will be redeemed by the Trust at the liquidation amount of \$50 per Security plus accrued and unpaid distributions; provided, however, that, if at the time there is available to the Debenture Issuer or the Trust the opportunity to eliminate, within such 90 day period, the Tax Event by taking some Ministerial Action, the Trust or the Debenture Issuer will pursue such Ministerial Action in lieu of redemption.

"Tax Event" means the Regular Trustees shall have obtained an opinion of a nationally recognized independent tax counsel experienced in such matters (a "Dissolution Tax Opinion") to the effect that as a result of (a) any amendment to or change (including any announced prospective change) in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority therefor or therein, or (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after the date of the Offering Memorandum), which amendment or change is effective or which interpretation or pronouncement is announced on or after the date of the Offering Memorandum, there is more than an insubstantial risk that (i) the Trust is or will be subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) interest payable by the Debenture Issuer to the Trust on the Debentures is not or will not be deductible by the Debenture Issuer in whole or in part for United States federal income tax purposes, or (iii) the Trust is or will be subject to more than a de minimis amount of taxes, duties, assessments or

other governmental charges.

If an Investment Company Event (as hereinafter defined) shall occur and be continuing, the Sponsor shall cause the Regular Trustees to liquidate the Trust and cause the Debentures to be distributed to the Holders of the Securities in liquidation of the Trust within 90 days following the occurrence of such Investment Company Event.

"Investment Company Event" means the Regular Trustees shall have obtained an opinion from independent counsel experienced in practice under the Investment Company Act of 1940, as amended (the "Investment Company Act"), to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in Investment Company Act Law"), there is more than an insubstantial risk that the Trust is or will be considered an investment company which is required to be registered under the Investment Company Act, which Change in Investment Company Act Law becomes effective on or after the original issue date of the Securities.

After the date fixed for any distribution of Debentures: (i) the Securities will no longer be deemed to be outstanding, (ii) the Depositary or its nominee (or any successor depositary or its nominee), as record Holder of Preferred Securities represented by global certificates, will receive a registered global certificate or certificates representing the Debentures to be delivered upon such distribution and (iii) any certificates representing Securities, except for certificates representing Preferred Securities held by the Depositary or its nominee (or any successor depositary or its nominee), will be deemed to represent Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of such Securities, with accrued and unpaid interest equal to accrued and unpaid Distributions on such Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissuance.

D. The Issuer shall not redeem fewer than all of the outstanding Securities unless all accrued and unpaid Distributions have been paid on all Securities for all quarterly Distribution periods terminating on or before the date of redemption.

E. Redemption or Distribution Procedures.

1. Notice of any redemption of, or notice of distribution of Debentures in exchange for the Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this paragraph 4(e)(i), a Redemption/ Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

2. In the event that fewer than all the outstanding Securities are to be redeemed, the Securities to

be redeemed shall be redeemed Pro Rata from each Holder of Preferred Securities, it being understood that, in respect of Preferred Securities registered in the name of and held of record by the Depository (or any successor depository) or any nominee, the distribution of the proceeds of such redemption will be made in accordance with the procedures of such agency or nominee.

3. If Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Debentures are redeemed as set out in this paragraph 4 (which notice will be irrevocable), then (A) with respect to Preferred Securities held in book-entry form, by 12:00 noon, New York City time, on the redemption date, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will deposit irrevocably with the Depository (or successor depository) funds sufficient to pay the amount payable on redemption with respect to such Preferred Securities and will give the Depository irrevocable instructions and authority to pay the amount payable on redemption to the Holders of such Preferred Securities, and (B) with respect to Preferred Securities issued in certificated form and Common Securities, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will irrevocably deposit with the Paying Agent funds sufficient to pay the amount payable on redemption to the Holders of such Securities upon surrender of their certificates. If a Redemption/Distribution Notice shall have been given and funds deposited as required, then, immediately prior to the close of business on the date of such deposit, Distributions will cease to accrue and all rights of Holders of such Securities so called for redemption will cease, except the right of the Holders of such Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Securities that have been so called for redemption. If any date fixed for redemption of Securities is not a Business Day, then payment of the amount payable on such date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the redemption price in respect of any Securities is improperly withheld or refused and not paid either by the Trust or by the Sponsor as guarantor pursuant to the relevant Securities Guarantee, Distributions on such Securities will continue to accrue at the then applicable rate, from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the amount payable upon redemption (other than for purposes of calculating any premium).

4. Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A)

in the case of Preferred Securities held in book-entry form, the Depository and, in the case of Securities held in certificated form, the Holders of such certificates and (B) in respect of the Common Securities, the Holder(s) thereof.

5. Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

5. Conversion Rights.

The Holders of Securities shall have the right at any time, at their option, to cause the Conversion Agent to convert Securities, on behalf of the converting Holders, into shares of Class B Common Stock in the manner described herein on and subject to the following terms and conditions:

- A. The Securities will be convertible at the office of the Conversion Agent into fully paid and nonassessable shares of Class B Common Stock pursuant to the Holder's direction to the Conversion Agent to exchange such Securities for a portion of the Debentures theretofor held by the Trust on the basis of one Security per \$50 principal amount of Debentures, and immediately convert such amount of Debentures into fully paid and nonassessable shares of Class B Common Stock at an initial rate of 1.034 shares of Class B Common Stock per \$50 principal amount of Debentures (which is equivalent to a conversion price of \$48.36 per share of Class B Common Stock, subject to certain adjustments set forth in the terms of the Debentures (as so adjusted, "Conversion Price")).
- B. In order to convert Securities into Class B Common Stock the Holder shall submit to the Conversion Agent at the office referred to above an irrevocable request to convert Securities on behalf of such Holder (the "Conversion Request"), together, if the Securities are in certificated form, with such certificates. The Conversion Request shall (i) set forth the number of Securities to be converted and the name or names, if other than the Holder, in which the shares of Class B Common Stock should be issued and (ii) direct the Conversion Agent (a) to exchange such Securities for a portion of the Debentures held by the Trust (at the rate of exchange specified in the preceding paragraph) and (b) to immediately convert such Debentures on behalf of such Holder, into Class B Common Stock (at the conversion rate specified in the preceding paragraph). The Conversion Agent shall notify the Trust of the Holder's election to exchange Securities for a portion of the Debentures held by the Trust and the Trust shall, upon receipt of such notice, deliver to the Conversion Agent the appropriate principal amount of Debentures for exchange in accordance with this Section. The Conversion Agent shall thereupon notify Continental of the Holder's election to convert such Debentures into shares of Class B Common Stock. Holders of Securities at the close of business on a Distribution record date will be entitled to receive the Distribution payable on such securities on the corresponding Distribution payment date notwithstanding the conversion of such Securities following such record date but prior to such distribution payment date. Except as provided above, neither the Trust nor the Sponsor will make, or be required to make, any payment, allowance or adjustment upon any conversion on account of any accumulated and unpaid Distributions whether or not in arrears accrued on the Securities surrendered for conversion, or on account of any accumulated and unpaid dividends on the shares of Class B Common Stock issued upon such conversion. Securities shall be deemed to have been converted immediately prior to the close of business on the day on which a Notice of Conversion relating to such Securities is received the Trust in accordance with the foregoing provision (the "Conversion Date"). The Person or Persons entitled to receive the Class B Common Stock issuable upon conversion of the Debentures shall be treated for all purposes as the record holder or holders of such Class B Common Stock at such time. As promptly as

practicable on or after the Conversion Date, Continental shall issue and deliver at the office of the Conversion Agent a certificate or certificates for the number of full shares of Class B Common Stock issuable upon such conversion, together with the cash payment, if any, in lieu of any fraction of any share to the Person or Persons entitled to receive the same, unless otherwise directed by the Holder in the notice of conversion and the Conversion Agent shall distribute such certificate or certificates to such Person or Persons.

- C. Each Holder of a Security by his acceptance thereof appoints Wilmington Trust Company, not in its individual capacity but solely as Trustee as conversion agent (the "Conversion Agent") for the purpose of effecting the conversion of Securities in accordance with this Section. In effecting the conversion and transactions described in this Section, the Conversion Agent shall be acting as agent of the Holders of Securities directing it to effect such conversion transactions. The Conversion Agent is hereby authorized (i) to exchange Securities from time to time for Debentures held by the Trust in connection with the conversion of such Securities in accordance with this Section and (ii) to convert all or a portion of the Debentures into Class B Common Stock and thereupon to deliver such shares of Class B Common Stock in accordance with the provisions of this Section and to deliver to the Trust a new Debenture or Debentures for any resulting unconverted principal amount provided, however, that the Conversion Agent shall not reflect any conversion of Securities if, after giving effect to such conversion, the aggregate liquidation amount of Common Securities outstanding shall be less than 3% of the aggregate liquidation amount of Securities.
- D. No fractional shares of Class B Common Stock will be issued as a result of conversion, but in lieu thereof, such fractional interest will be paid in cash by Continental to the Trust in an amount equal to the Current Market Price of the fractional share of the Class B Common Stock, which in turn will make such payment to the Holder or Holders of Securities so converted.
- E. Continental shall at all times reserve and keep available out of its authorized and unissued Class B Common Stock, solely for issuance upon the conversion of the Debentures, such number of shares of Class B Common Stock as shall from time to time be issuable upon the conversion of all the Debentures then outstanding. Notwithstanding the foregoing, Continental shall be entitled to deliver upon conversion of Debentures, shares of Class B Common Stock reacquired and held in the treasury of Continental (in lieu of the issuance of authorized and unissued shares of Class B Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances. Any shares of Class B Common Stock issued upon conversion of the Debentures shall be duly authorized, validly issued and fully paid and nonassessable. The Trust shall deliver the shares of Class B Common Stock received upon conversion of the Debentures to the converting Holder free and clear of all liens, charges, security interests and encumbrances, except for United States withholding taxes. Each of Continental and the Trust shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all applicable requirements as to registration or qualification of the Class B Common Stock (and all requirements to list the Class B Common Stock issuable upon conversion of Debentures that are at the time applicable), in order to enable Continental to lawfully issue Class B Common Stock to the Trust upon conversion of the Debentures and the Trust to lawfully deliver the Class B Common Stock to each Holder upon conversion of the Securities.

- F. Continental will pay any and all taxes that may be payable in respect of the issue or delivery of shares of Class B Common Stock on conversion of Debentures and the delivery of the shares of Class B Common Stock by the Trust upon conversion of the Securities. Continental shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Class B Common Stock in a name other than that in which the Securities so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Trust the amount of any such tax, or has established to the satisfaction of the Trust that such tax has been paid.
- G. Nothing in the preceding Paragraph (f) shall limit the requirement of the Trust to withhold taxes pursuant to the terms of the Securities or set forth in this Annex I to the Declaration or to the Declaration itself or otherwise require the Property Trustee or the Trust to pay any amounts on account of such withholdings.

6. Voting Rights - Preferred Securities.

- A. Except as provided under paragraph 6(b), in the Business Trust Act and as otherwise required by law, the Holders of the Preferred Securities will have no voting rights.
- B. Subject to the requirements set forth in this paragraph, the Holders of a majority in liquidation amount of the Preferred Securities, voting separately as a class may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 513 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Debentures requiring the consent of the holders of the Debentures, provided, however, that, where a consent or action under the Indenture would require the consent or act of the Holders of greater than a majority of the Holders in principal amount of Debentures affected thereby (a "Super Majority"), the Property Trustee may only give such consent or take such action at the direction of the Holders of at least the proportion in liquidation amount of the Preferred Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Debenture Trustee as set forth above, the Property Trustee shall not take any action in accordance with the directions of the Holders of the Preferred Securities under this paragraph unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that, as a result of such action, the Trust will not fail to be classified as a grantor trust or partnership for United States federal income tax purposes and each Holder of Preferred Securities will be treated as owning undivided beneficial interests in the Debentures. If the Property Trustee fails to enforce its rights, as holder of the Debentures, under the Indenture, any Holder of Preferred Securities may, after a period of 30 days has elapsed from such Holder's written request to the Property Trustee to enforce such rights, institute a legal proceeding directly against the Debenture Issuer, to enforce the rights of the Property Trustee, as holder of the Debentures, under the Indenture, without

first instituting any legal proceeding against the Property Trustee or any other Person.

Any approval or direction of Holders of Preferred Securities may be given at a separate meeting of Holders of Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent.

The Regular Trustees will cause a notice of any meeting at which Holders of Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Preferred Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Preferred Securities will be required for the Trust to redeem and cancel Preferred Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

Notwithstanding that Holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

7. Voting Rights - Common Securities.

- A. Except as provided under paragraphs 7(b), (c) and 8, in the Business Trust Act and as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.
- B. The Holders of the Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee.
- C. Subject to Section 2.6 of the Declaration and only after the Event of Default with respect to the Preferred Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy waivable to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 606 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable, provided, that where a consent or action under the Indenture would require the consent or act of the Holders of greater than a majority in principal amount of Debentures affected thereby (a "Super Majority"), the Property Trustee may only give such consent or take such action at the direction of the Holders of at least the proportion in liquidation amount of the Common Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. Pursuant to this paragraph 7(c), the Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Preferred Securities. Other than with respect to

directing the time, method and place of conducting any remedy available to the Property Trustee or the Debenture Trustee as set forth above, the Property Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that, as a result of such action the Trust will not fail to be classified as a grantor trust or a partnership for United States federal income tax purposes and each Holder of Common Securities will be treated as owning undivided beneficial interests in the Debentures. If the Property Trustee fails to enforce its rights, as holder of the Debentures, under the Indenture, any Holder of Common Securities may, after a period of 30 days has elapsed from such Holder's written request to the Property Trustee to enforce such rights, institute a legal proceeding directly against the Debenture Issuer, to enforce the Property Trustee's rights, as holder of the Debentures, under the Indenture, without first instituting any legal proceeding against the Property Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Securities.

8. Amendments to Declaration and Indenture.

- A. In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Securities voting together as a single class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least 66 2/3% in liquidation amount of the Securities affected thereby, provided, however, that if any amendment or proposal referred to in clause (i) above would adversely affect only the Preferred Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of 66 2/3% in liquidation amount of such class of Securities.
- B. In the event the consent of the Property Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination of the Indenture or the Debentures, the Property Trustee shall request the direction of the

Holder of the Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of the holders of greater than a majority in aggregate principal amount of the Debentures (a "Super Majority"), the Property Trustee may only give such consent at the direction of the Holders of at least the same proportion in aggregate stated liquidation amount of the Securities; provided, further, that the Property Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this paragraph 8(b) unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust or partnership on account of such action.

9. Pro Rata.

A reference in these terms of the Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, on any distribution date or redemption date an Event of Default under the Declaration has occurred and is continuing, in which case no payment of any distribution on, or amount payable upon redemption of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid distributions on all outstanding Preferred Securities for all distribution periods terminating on or prior thereto, or in the case of payment of the amount payable upon redemption of the Preferred Securities, the full amount of such amount in respect of all outstanding Preferred Securities shall have been made or provided for, and all funds available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions on, or the amount payable upon redemption of Preferred Securities then due and payable.

10. Ranking.

The Preferred Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing under the Indenture in respect of the Debentures held by the Property Trustee, the rights of Holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of the Holders of the Preferred Securities.

11. Acceptance of Securities Guarantee and Indenture.

Each Holder of Preferred Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Preferred Securities Guarantee and the Common Securities Guarantee, respectively, including the subordination provisions therein and to the provisions of the Indenture.

12. No Preemptive Rights.

The Holders of the Securities shall have no preemptive rights to subscribe for any additional securities.

13. Miscellaneous.

These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Preferred Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.

EXHIBIT A-1

FORM OF PREFERRED SECURITY

[FORM OF FACE OF SECURITY]

[Include the following Restricted Securities Legend on all Preferred Securities, including Rule 144A Global Preferred Securities, Regulation S Global Preferred Securities, and Restricted Definitive Preferred Securities, unless otherwise determined by the Sponsor in accordance with applicable law -- THIS SECURITY, ANY CONVERTIBLE SUBORDINATED DEBENTURE ISSUED IN EXCHANGE FOR THIS SECURITY AND ANY CLASS B COMMON STOCK ISSUED ON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THE SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Include if Preferred Security is a Regulation S Definitive Preferred Security or any other Security issue in respect of a Preferred Security initially issued in reliance on Regulation S under the Securities Act -- SUBSEQUENT TRANSFERS OF THIS SECURITY (OR ANY OTHER SECURITY REFERRED TO ABOVE) AND REGISTRATION OF SUCH TRANSFERS ARE SUBJECT TO THE PRIOR SATISFACTION OF THE CERTIFICATION REQUIREMENTS AS THE REGISTRAR OR TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.]

[Include if Preferred Security is Restricted Definitive Preferred Security -- IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.]

[Include if Preferred Security is in global form and The Depository Trust Company is the U. S. Depository -- UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS

IN WITNESS WHEREOF, the Trust has executed this certificate this day of _____, 199_.

Continental Airlines Finance Trust

By: _____
Name: Jeffery A. Smisek
Title: Regular Trustee

PROPERTY TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Preferred Securities referred to in the within-mentioned Declaration.

Dated: _____, _____

WILMINGTON TRUST COMPANY,
not in its individual capacity but
solely as Property Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Preferred Security will be fixed at a rate per annum of 8 1/2% (the "Coupon Rate") of the stated liquidation amount of \$50 per Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law) The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, distributions on the Preferred Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on March 1, June 1, September 1, and December of each year, commencing on March 1, 1996, to Holders of record on the Business Day next preceding such payment dates, except as otherwise provided in the indenture, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period") and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Preferred Securities shall be redeemable as provided in the Declaration.

The Preferred Securities shall be convertible into shares of Class B common stock of Continental Airlines, Inc. ("Class B Common Stock") , through (i) the exchange of Preferred Securities for a portion of the Debentures and (ii) the immediate

conversion of such Debentures into Class B Common Stock, in the manner and according to the terms set forth in the Declaration.

CONVERSION REQUEST

To: Wilmington Trust Company,
not in its individual capacity
but solely as Property Trustee of
Continental Airlines Finance Trust

The undersigned owner of these Preferred Securities hereby irrevocably exercises the option to convert these Preferred Securities, or the portion below designated, into Class B Common Stock of CONTINENTAL AIRLINES, INC. (the "Class B Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (the "Declaration") , dated as of November 28, 1995, by and among Lawrence W. Kellner and Jeffery A. Smisek, as Regular Trustees, Wilmington Trust Company, not in its individual capacity but solely as Delaware Trustee and as Property Trustee, and Continental Airlines, Inc., as Sponsor. Pursuant to the aforementioned exercise of the option to convert these Preferred Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in the Declaration) to (i) exchange such Preferred Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Preferred Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into Class B Common Stock (at the conversion rate specified in the terms of the Preferred Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Declaration and the Preferred Securities, agrees to be bound by the terms of the Registration Rights Agreement relating to the Class B Common Stock issuable upon conversion of the Preferred Securities.

Date: _____, ____

in whole ___ in part ___
Number of Preferred Securities
to be converted:

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of Class B Common Stock are to be issued, along with the address or addresses of such person or persons

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip code, and Social Security or Other Identifying Number

* (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Preferred Security on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this Preferred Security certificate)

Signature Guarantee: ** _____

** (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF
RESTRICTED PREFERRED SECURITIES

This certificate relates to _____ Preferred Securities
held in (check applicable space) _____ book-entry or _____
definitive form by the undersigned.

(A) The undersigned (check one box below):

/ / has requested the Property Trustee by written order to
deliver in exchange for its beneficial interest in the Rule
144A Global Preferred Security held by the Depository a
Preferred Security or Preferred Securities in definitive,
registered form in such number equal to its beneficial
interest in such Rule 144A Global Preferred Security (or the
number thereof indicated above); or

/ / has requested the Property Trustee by written order to
exchange its Preferred Security in definitive registered
form for an interest in the Rule 144A Global Preferred
Security held by the Depository in such number equal to
number of Preferred Securities in definitive registered form
so held; or

/ / has requested the Property Trustee by written order to
exchange or register the transfer of a Preferred Security or
Preferred Securities.

(B) The undersigned confirms that such Securities are being
(check one box below)

(1) / / acquired for the undersigned's own account,
without transfer (in satisfaction of Section 9.2(d) (i-i)
(A) ; or

(2) / / pursuant to and in compliance with Rule 144A under
the Securities Act of 1933; or

(3) / / pursuant to and in compliance with Regulation S
under the Securities Act of 1933; or

(4) / / pursuant to Rule 144 of the Securities Act of
1933.

Unless one of the boxes in (B) above is checked, the Property
Trustee will refuse to register any of the Preferred Securities
evidenced by this certificate in the name of any person other
than the registered Holder thereof; provided, however, that if
box (3) or (4) is checked, the Property Trustee may require,
prior to registering any such transfer of the Preferred
Securities such legal opinions, certifications and other
information as the Trust has reasonably requested to confirm that
such transfer is being made pursuant to an exemption from, or in
a transaction not subject to, the registration requirements of
the Securities Act of 1933, such as the exemption provided by
Rule 144 under such Act.

Signature

Signature Guarantee:***

Signature must be guaranteed

Signature

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED.

The undersigned represents and warrants that it is
purchasing these Preferred Securities for its own account or an
account with respect to which it exercises sole investment
discretion and that it and any such account is a "qualified
institutional buyer" within the meaning of Rule 144A under the
Securities Act of 1933, and is aware that the sale to it is being
made in reliance on Rule 144A and acknowledges that it has
received such information regarding the Trust as the undersigned

has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by an executive officer

*** (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Preferred Securities as evidence of indirect beneficial ownership in the Debentures.

Unless the Property Trustee's Certificate of Authentication hereon has been properly executed, these Preferred Securities shall not be entitled to any benefit under the Declaration or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Trust has executed this certificate this day of _____, 199__.

Continental Airlines Finance Trust

By: _____
Name:
Title:

PROPERTY TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Preferred Securities referred to in the within-mentioned Declaration.

Dated: _____, _____

WILMINGTON TRUST COMPANY,
not in its individual
capacity but solely as
Property Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Preferred Security will be fixed at a rate per annum of 8-1/2% (the "Coupon Rate") of the stated liquidation amount of \$50 per Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below and in the Declaration, distributions on the Preferred Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 1996, to Holders of record one Business Day prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period") and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Preferred Securities shall be redeemable as provided in the Declaration.

The Preferred Securities shall be convertible into shares of Class B Common Stock of Continental Airlines, Inc. ("Class B Common Stock"), through (i) the exchange of Preferred Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Class B Common Stock, in the manner and according to the terms set forth in the Declaration.

CONVERSION REQUEST

To: Wilmington Trust Company, not in its individual capacity but solely as Property Trustee of Continental Airlines Finance Trust

The undersigned owner of these Preferred Securities hereby irrevocably exercises the option to convert these Preferred Securities, or the portion below designated, into Class B Common Stock of Continental Airlines, Inc. (the "Class B Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (the "Declaration"), dated as of November 28, 1995, by and among Lawrence W. Kellner and Jeffery A. Smisek, as Regular Trustees, Wilmington Trust Company, not in its individual capacity but solely as Delaware Trustee and Property Trustee and Continental Airlines, Inc., as Sponsor. Pursuant to the aforementioned exercise of the option to convert these Preferred Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in Annex I to the Declaration) to (i) exchange such Preferred Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Preferred Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into Class B Common Stock (at the conversion rate specified in the terms of the Preferred Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Declaration and the Preferred Securities, agrees to be bound by the terms of the Registration Rights Agreement relating to the Class B Common Stock issuable upon conversion of the Preferred Securities.

Date: _____, ____

in whole __

in part __

Number of Preferred Securities to be converted: _____

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of Class B Common Stock are to be issued, along with the address or addresses of such person or persons

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

Signature Guarantee: _____

* (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

Signature Guarantee** : _____

** (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

IN WITNESS WHEREOF, the Trust has executed this certificate this day of _____, 199__.

Continental Airlines Finance Trust

By: _____
Name:
Title:

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of 8-1/2% (the "Coupon Rate") of the stated liquidation amount of \$50 per Common Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below and in the Declaration, distributions on the Common Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 1996, to Holders of record one (1) Business Day prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period") and, as a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Declaration.

The Common Securities shall be convertible into shares of Class B Common Stock of Continental Airlines, Inc. ("Class B Common Stock") through (i) the exchange of Common Securities for a portion of the Debentures and (ii) the immediate conversion of such Debentures into Class B Common Stock, in the manner and according to the terms set forth in the Declaration.

CONVERSION REQUEST

To: Wilmington Trust Company
not in its individual
capacity but solely as
Property Trustee of
Continental Airlines
Finance Trust

The undersigned owner of these Common Securities hereby irrevocably exercises the option to convert these Common Securities, or the portion below designated, into Class B Common Stock of Continental Airlines Inc. (the "Class B Common Stock") in accordance with the terms of the Amended and Restated Declaration of Trust (the "Declaration"), dated as of November 28, 1995, by and among Lawrence W. Kellner and Jeffery A. Smisek, as Regular Trustees, Wilmington Trust Company, not in its individual capacity but solely as Delaware Trustee and Property Trustee and Continental Airlines Inc., as Sponsor. Pursuant to the aforementioned exercise of the option to convert these Common Securities, the undersigned hereby directs the Conversion Agent (as that term is defined in Annex I to the Declaration) to (i) exchange such Common Securities for a portion of the Debentures (as that term is defined in the Declaration) held by the Trust (at the rate of exchange specified in the terms of the Common Securities set forth as Annex I to the Declaration) and (ii) immediately convert such Debentures on behalf of the undersigned, into Class B Common Stock (at the conversion rate specified in the terms of the Common Securities set forth as Annex I to the Declaration).

The undersigned does also hereby direct the Conversion Agent that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Declaration and the Common Securities, agrees to be bound by the terms of the Registration Rights Agreement relating to the Class B Common Stock issuable upon conversion of the Common Securities.

Date: _____, ____

in whole __

in part __

Number of Common Securities to be converted: _____

If a name or names other than the undersigned, please indicate in the spaces below the name or names in which the shares of International Paper Common Stock are to be issued, along with the address or addresses of such person or persons

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

Signature Guarantee:* _____

* (Signature must be guaranteed by an "eligible guarantor institution" that is, a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this
Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints _____
_____ agent to transfer
this Common Security Certificate on the books of the Trust. The
agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this
Common Security Certificate)

Signature Guarantee** : _____

** (Signature must be guaranteed by an "eligible guarantor
institution" that is, a bank, stockbroker, savings and loan
association or credit union meeting the requirements of the
Registrar, which requirements include membership or
participation in the Securities Transfer Agents Medallion
Program ("STAMP") or such other "signature guarantee
program" as may be determined by the Registrar in addition
to, or in substitution for, STAMP, all in accordance with
the Securities Exchange Act of 1934, as amended.)

EXHIBIT B

FORM OF SECURITY

(Filed as Exhibit A-1 to Exhibit 4.4
to this Registration Statement)

EXHIBIT C

CONTINENTAL AIRLINES FINANCE TRUST

4,500,000

8 1/2% Convertible Trust Originated Preferred
Securitiessm ("Convertible TOPrSsm")
guaranteed by and convertible into
shares of Class B common stock of
CONTINENTAL AIRLINES, INC.

PURCHASE AGREEMENT

Dated: November 21, 1995

CONTINENTAL AIRLINES FINANCE TRUST

4,500,000

8 1/2% Convertible Trust Originated Preferred
Securities ("Convertible TOPrSsm")

PURCHASE AGREEMENT

November 21, 1995
MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
CS FIRST BOSTON CORPORATION
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
SMITH BARNEY INC.
As representatives of the several
initial purchasers listed on Schedule A hereof
c/o MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Ladies and Gentlemen:

Continental Airlines Finance Trust (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. Section 3801 et seq.), proposes to issue and sell to Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith & Co. Incorporated ("Merrill Lynch") and each of the other Initial Purchasers named on Schedule A hereto (the "Initial Purchasers", which term shall also include any initial purchaser substituted as hereinafter provided in Section 12 hereof), for whom Merrill Lynch, CS First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives (in such capacity, the "Representatives"), in the respective amounts set forth on Schedule A hereto, an aggregate of 4,500,000 8 1/2% Convertible Trust Originated Preferred Securities, liquidation amount \$50 per security (the "Firm Preferred Securities"), and, at the election of the Initial Purchasers, solely to cover overallocments, if any, in connection with the offering of the Firm Preferred Securities, up to 675,000 additional 8 1/2% Convertible Trust Originated Preferred Securities (the "Additional Preferred Securities"). The Firm Preferred Securities and any Additional Preferred Securities that the Initial Purchasers elect to purchase are collectively referred to as the "Preferred Securities." The Preferred Securities will be convertible at the option of the holder thereof into shares of Class B Common Stock, par value \$.01 per share (the "Class B Common Stock"), of Continental Airlines, Inc. ("Continental")

The Preferred Securities will be guaranteed by Continental, to the extent set forth in the Offering Memorandum (as defined below), with respect to distributions and amounts payable upon liquidation or redemption (the "Preferred Securities Guarantee") pursuant to the Preferred Securities Guarantee Agreement (the "Preferred Securities Guarantee Agreement") to be dated as of the Closing Time executed and delivered by Continental and Wilmington Trust Company, not in its individual capacity but solely as trustee, for the benefit of the holders from time to time of the Preferred Securities. The entire proceeds from the sale of the Preferred Securities will be combined with the entire proceeds from the sale by the Trust to Continental of its common securities (the "Common

Securities") guaranteed by Continental, to the extent set forth in the Offering Memorandum, with respect to distributions and amounts payable upon liquidation or redemption (the "Common Securities Guarantee" and, together with the Preferred Securities Guarantee, the "Guarantees") pursuant to the Common Securities Guarantee Agreement (the "Common Securities Guarantee Agreement" and, together with the Preferred Securities Guarantee Agreement, the "Guarantee Agreements"), to be dated as of the Closing Time, executed and delivered by Continental for the benefit of the holders from time to time of the Common Securities, and will be used by the Trust to purchase the 8 1/2% Convertible Subordinated Deferrable Interest Debentures due 2020 (the "Convertible Subordinated Debentures") issued by Continental. The Preferred Securities and the Common Securities will be issued pursuant to the amended and restated declaration of trust of the Trust, to be dated as of the Closing Time (the "Declaration"), among Continental, as Sponsor, the trustees named therein (the "Trustees") and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Convertible Subordinated Debentures will be issued pursuant to an Indenture, to be dated as of the Closing Time (the "Indenture"), among Continental and Wilmington Trust Company, as trustee (the "Indenture Trustee"). The Preferred Securities, Preferred Securities Guarantee, Convertible Subordinated Debentures and Conversion Shares (as defined below) are collectively referred to herein as the "Securities". This Agreement, the Indenture, the Declaration, the Guarantee Agreements, the Securities and the Registration Rights Agreement (as defined below) are referred to collectively as the "Operative Documents." Capitalized terms used herein without definition have the respective meanings specified in the Offering Memorandum.

The Preferred Securities will be offered and sold to the Initial Purchasers without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions from the registration requirements of the Act. In connection with the sale of the Preferred Securities, the Trust and Continental have prepared a preliminary offering memorandum dated November 9, 1995 (the "Preliminary Offering Memorandum") and a final offering memorandum dated the date hereof (such final offering memorandum, in the form first furnished to the Initial Purchasers for use in connection with the offering of the Preferred Securities, or if such form is not so used, in the form subsequently furnished for such use, the "Offering Memorandum"), each setting forth certain information concerning the Trust, Continental and the Securities. The Trust and Continental hereby confirm that they have authorized the use of the Preliminary Offering Memorandum and the Offering Memorandum in connection with the offer and resale of the Preferred Securities by the Initial Purchasers. Unless stated to the contrary, all references herein to the Offering Memorandum are to the Offering Memorandum at the date hereof (the "Execution Time") and are not meant to include any amendment or supplement thereto subsequent to the Execution Time. If the Trust and Continental prepare a supplement dated the date hereof to the Preliminary Offering Memorandum containing only pricing related information, then the term "Offering Memorandum" for purposes of this Agreement shall refer collectively to the Preliminary Offering Memorandum and such supplement.

The Trust and Continental understand that the Initial Purchasers propose to make an offering of the Preferred Securities only on the terms, subject to the conditions and in the manner set forth in the Offering Memorandum and Section 4 hereof, as soon as the Initial Purchasers deem advisable after this Agreement has been executed and delivered.

The Initial Purchasers and other holders of Securities (including subsequent transferees) will be entitled to the benefits of the registration rights agreement, to be dated as of the Closing Time (as defined below) (the "Registration Rights Agreement") among the Trust, Continental and the Initial Purchasers, in the form attached hereto as Exhibit A. Pursuant to the Registration Rights Agreement, the Trust and Continental will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein a shelf registration statement pursuant to Rule 415 under the Act relating to the resale of (i) the Preferred Securities, (ii) the Convertible Subordinated

Debentures and (iii) the shares of Class B Common Stock of Continental initially issuable upon conversion of the Convertible Subordinated Debentures (the "Conversion Shares") by holders thereof, and to use their best efforts to cause such shelf registration statement to be declared effective.

SECTION 1. Representations and Warranties. (a) The Trust and Continental represent and warrant, jointly and severally, to the Initial Purchasers as of the date hereof that:

(i) As of their respective dates, none of the Offering Memorandum or any amendment or supplement thereto, and as of the Closing Time, the Offering Memorandum, as amended or supplemented to such time, contained or will contain an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that this representation and warranty does not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing by the Initial Purchasers to Continental expressly for use in the Offering Memorandum or any amendment or supplement thereto.

(ii) Each of the Preferred Securities, the Preferred Securities Guarantee and the Convertible Subordinated Debentures satisfy the eligibility requirements of Rule 144A(d)(3) under the Act.

(iii) None of the Trust, Continental, any of their affiliates (as such term is defined in Rule 501(b) of Regulation D under the Act ("Regulation D")), or any person acting on behalf of the foregoing (other than the Initial Purchasers, as to which no representation or warranty is made) has, directly or indirectly, made offers or sales of any security, or solicited offers to buy any security, under circumstances that would require the registration of the Securities under the Act.

(iv) None of the Trust, Continental or any of their affiliates (as such term is defined in Rule 501(b) of Regulation D) or any person (other than the Initial Purchasers, as to which no representation or warranty is made) acting on the Trust's or Continental's behalf has engaged, in connection with the offering of the Securities, (A) in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Act or (B) in any directed selling efforts within the meaning of Rule 902 under the Act in the United States in connection with the Securities being offered and sold pursuant to Regulation S under the Act, and each of them has complied with the offering restrictions requirement of Regulation S under the Act.

(v) Assuming the accuracy of the representations and warranties and compliance with the agreements of the Initial Purchasers in Section 4, it is not necessary in connection with the offer, sale and delivery of the Preferred Securities to the Initial Purchasers, or in connection with the initial resale of the Preferred Securities by the Initial Purchasers in accordance with this Agreement, to register the Securities under the Act or to qualify the Indenture, the Guarantees or the Declaration under the Trust Indenture Act of 1939, as amended (the "TIA").

(vi) The accountants that examined and certified the consolidated financial statements of Continental included in the Offering Memorandum are independent public accountants within the meaning of the Act and the applicable rules and regulations thereunder.

(vii) The audited and unaudited consolidated financial statements of Continental included in the Offering Memorandum, together with the related notes thereto, present fairly in all material respects the financial position, results of operations and cash flows of Continental and its consolidated subsidiaries, at the dates and for the periods to which they relate, and,

except as otherwise stated in the Offering Memorandum, have been prepared in accordance with United States generally accepted accounting principles ("GAAP").

(viii) Since the respective dates as of which information is given in the Offering Memorandum, except as otherwise specifically stated therein, there has been no (A) material adverse change in the financial condition, properties, assets or results of operations of Continental and its consolidated subsidiaries taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Change"), (B) transaction entered into by Continental or any of its consolidated subsidiaries, other than in the ordinary course of business, that is material to Continental and its consolidated subsidiaries, taken as a whole, or (C) dividend or distribution of any kind declared, paid or made by Continental on its capital stock (other than declarations or scheduled payments of dividends on Continental's outstanding preferred stock in additional shares of such preferred stock).

(ix) The only subsidiaries of Continental that are "significant subsidiaries" within the meaning of Rule 1-02(w) of Regulation S-X under the Act as of the date hereof are Air Micronesia, Inc. and Continental Micronesia, Inc., each a Delaware corporation (collectively, together with Continental Express, Inc., a Delaware corporation, the "Subsidiaries"). Continental and each of the Subsidiaries has been duly incorporated and is validly existing in good standing as a corporation under the laws of its respective jurisdiction of incorporation, with corporate power and authority, (a) to own, lease and operate its respective properties and to conduct its respective business as now conducted and as described in the Offering Memorandum and (b) with respect to Continental, to enter into, deliver, incur and perform its obligations under the Operative Documents; and each is duly qualified to transact business as a foreign corporation in good standing in each jurisdiction where the ownership or leasing of its respective properties or the conduct of its respective businesses requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business, financial condition, assets or results of operations of Continental and its consolidated subsidiaries taken as a whole (a "Material Adverse Effect").

(x) Except for subsequent issuances, if any, pursuant to this Agreement, upon conversion or exchange of capital stock of Continental as permitted or required under Continental's charter or upon issuance of stock or exercise of stock options or warrants pursuant to employee benefit plans or outstanding as of the date hereof, Continental has the authorized, issued and outstanding capitalization set forth in the Offering Memorandum under the caption "Capitalization"; all of the outstanding capital stock of Continental has been duly authorized and validly issued, is fully paid and nonassessable; and the authorized capital stock of Continental conforms in all material respects to the statements relating thereto in the Offering Memorandum. All of the outstanding capital stock of each of the Subsidiaries has been duly authorized and validly issued, is fully paid and nonassessable and, except as set forth in the Offering Memorandum, the outstanding shares of capital stock of the Subsidiaries owned by Continental, directly or indirectly, are owned free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(xi) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Act with the power and authority to own property and to conduct its business as described in the Offering Memorandum and to enter into and perform its obligations under this Agreement, the Preferred Securities, the Common Securities and the Declaration; the Trust is duly qualified to transact business as a foreign corporation in good standing in each jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify would not have a material

adverse effect on the Trust; the Trust is not a party to or otherwise bound by any agreement other than those described in the Offering Memorandum; the Trust is not and, assuming compliance by the Trust with the Declaration, will not be classified as an association taxable as a corporation for United States federal income tax purposes.

(xii) The Common Securities have been duly authorized by the Declaration and, when issued and delivered by the Trust to Continental against payment therefor as described in the Offering Memorandum, will be validly issued and (subject to the terms of the Declaration) fully paid and nonassessable undivided beneficial interests in the assets of the Trust and will conform in all material respects to all statements relating thereto in the Offering Memorandum; the issuance of the Common Securities is not subject to preemptive or other similar rights; and at the Closing Time, all of the issued and outstanding Common Securities of the Trust will be directly owned by Continental free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(xiii) The Declaration has been duly authorized by Continental and, at the Closing Time, will have been duly executed and delivered by Continental and the Regular Trustees (as defined in the Declaration), and assuming due authorization, execution and delivery of the Declaration by the Property Trustee (as defined in the Declaration), the Declaration will, at the Closing Time, be a valid and binding obligation of Continental and the Regular Trustees, enforceable against Continental and the Regular Trustees in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity (the "Bankruptcy Exceptions") and will conform in all material respects to all statements relating thereto in the Offering Memorandum.

(xiv) Each of the Common Securities Guarantee Agreement and the Preferred Securities Guarantee Agreement has been duly authorized by Continental and, when validly executed and delivered by Continental (and assuming due authorization, execution and delivery of the Preferred Securities Guarantee Agreement by Wilmington Trust Company, not in its individual capacity but solely as trustee), will constitute a valid and binding obligation of Continental, enforceable against Continental in accordance with its terms, subject to the Bankruptcy Exceptions, and the Guarantees and the Guarantee Agreements will conform in all material respects to all statements relating thereto in the Offering Memorandum.

(xv) The Preferred Securities have been duly authorized by the Declaration and, when authenticated in the manner provided for in the Declaration and issued and delivered pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and (subject to the terms of the Declaration) fully paid and nonassessable undivided beneficial interests in the assets of the Trust and will conform in all material respects to all statements relating thereto in the Offering Memorandum; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and holders of Preferred Securities will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit incorporated under the General Corporation Law of the State of Delaware.

(xvi) The Indenture has been duly authorized by Continental and, when validly executed and delivered by Continental (and assuming due authorization, execution and delivery by the Indenture Trustee), will constitute a valid and binding agreement of Continental, enforceable against Continental in accordance with its terms, subject to the Bankruptcy Exceptions; and the Indenture will conform in all material respects to all statements relating thereto in the Offering Memorandum.

(xvii) The Convertible Subordinated Debentures have been duly authorized by Continental and, at the Closing Time, will have been duly executed by Continental and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Offering Memorandum, will constitute valid and binding obligations of Continental, enforceable against Continental in accordance with their terms, subject to the Bankruptcy Exceptions; and the Convertible Subordinated Debentures will be entitled to the benefits of the Indenture and will conform in all material respects to all statements relating thereto in the Offering Memorandum.

(xviii) Continental's obligations under the Preferred Securities Guarantee and Common Securities Guarantee are (a) subordinate and junior in right of payment to all other liabilities of Continental, except any liabilities that may be made pari passu expressly by their terms, and (b) pari passu with the most senior preferred stock issued by Continental and any guarantee now or hereafter entered into by Continental in respect of any preferred or preference stock or preferred securities of any affiliate of Continental.

(xix) The Convertible Subordinated Debentures are subordinated and junior in right of payment to all Senior Indebtedness (as defined in the Indenture) of Continental.

(xx) Neither the Trust nor Continental is an "investment company" within the meaning of the Investment Company Act of 1940.

(xxi) The Conversion Shares have been duly authorized and validly reserved for issuance upon conversion of the Convertible Subordinated Debentures by all necessary corporate action of Continental and, when duly issued by Continental upon such conversion, will be validly issued, fully paid and nonassessable; no holder thereof will be subject to personal liability for obligations of Continental solely by reason of being such a holder; and, except as disclosed in the Offering Memorandum, the issuance of the Conversion Shares will not be subject to preemptive or similar rights.

(xxii) Neither Continental nor any of the Subsidiaries is in violation of its respective charter and the Trust is not in violation of the Declaration, and none of Continental, any of the Subsidiaries or the Trust, except as disclosed in the Offering Memorandum, is in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other instrument to which it is a party or by which it is bound, or to which any of its respective assets or properties is subject, which default or violation would have a Material Adverse Effect.

(xxiii) The Trust and Continental each have all corporate power to enter into this Agreement and the Registration Rights Agreement. This Agreement has been and, as of the Closing Time, the Registration Rights Agreement will have been, duly authorized, executed and delivered by each of the Trust and Continental and upon such execution by each of the Trust and Continental (assuming the due authorization, execution and delivery of such agreements by the other parties thereto) this Agreement and the Registration Rights Agreement will constitute the valid and binding obligations of each of the Trust and Continental enforceable against each of the Trust and Continental in accordance with the terms hereof or thereof, subject to the Bankruptcy Exceptions and except as the enforcement of indemnification and contribution provisions hereof and thereof may be limited by applicable law.

(xxiv) The issuance, sale and delivery of the Securities, the execution, delivery and performance by Continental of this Agreement, the Declaration, the Indenture, the Guarantee Agreements and the Registration

Rights Agreement, the consummation by Continental and the Trust of the transactions contemplated hereby and thereby and the application of the proceeds of the Preferred Securities as described in the Offering Memorandum and the compliance by Continental and the Trust with the terms of the foregoing do not, and, at the Closing Time, will not, conflict with or constitute or result in a breach or violation by Continental, the Trust or any of the Subsidiaries of (A) any of the terms or provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) by Continental, the Trust or any of the Subsidiaries, or give rise to any right to accelerate the maturity or require the prepayment of any indebtedness under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of Continental, the Trust or any of the Subsidiaries under, any contract, indenture, mortgage, deed of trust, loan agreement, note, lease, or other instrument to which Continental, the Trust or any of the Subsidiaries is a party or by which any of them may be bound, or to which any of them or any of their respective assets or properties is subject, which individually or in the aggregate would (1) have or result in a Material Adverse Effect, or (2) materially affect the consummation of the transactions contemplated in the Operative Documents and the application of the proceeds of the Preferred Securities as described in the Offering Memorandum; and Continental has no knowledge of any conflict, breach or violation of such terms or provisions or of any such default, in any such case, which has occurred or will so result, (B) the respective charters or by-laws of Continental and the Subsidiaries or (C) any applicable law, administrative regulation or administrative or court decree which would have or result in a Material Adverse Effect, or materially affect the consummation of the transactions contemplated in the Operative Documents and the application of the proceeds of the Preferred Securities as described in the Offering Memorandum.

(xxv) Except as disclosed in the Offering Memorandum, to the knowledge of Continental, no material labor problem, dispute or disturbance with the employees of Continental or any of the Subsidiaries exists or is threatened.

(xxvi) Except as disclosed in the Offering Memorandum, there is no legal action, suit or proceeding before or by any court or governmental body or agency, domestic or foreign, now pending or, to the knowledge of Continental, threatened against Continental or any of the Subsidiaries which would, individually or in the aggregate, have a Material Adverse Effect or which could reasonably be expected to have a material adverse effect on the power or ability of Continental to perform its obligations under the Operative Documents or to consummate the transactions contemplated hereby or thereby. Except as disclosed in the Offering Memorandum, neither Continental nor any of the Subsidiaries has received any notice or claim of any default (or event which with notice or lapse of time or both would result in a default) under any of its respective material contracts or has knowledge of any breach of any of such contracts by the other party or parties thereto, except such defaults or breaches as would not result in a Material Adverse Effect.

(xxvii) No authorization, approval or consent of any court or governmental authority or agency is necessary in connection with the offering, issuance or sale of the Preferred Securities by the Trust and the Guarantees, Convertible Subordinated Debentures and Conversion Shares by Continental in the United States hereunder, except such as may be required under the Act, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939 or National Association of Securities Dealers, Inc. ("NASD") rules in connection with the registration under the Act of the Securities pursuant to the Registration Rights Agreement, and except such as may be required under state securities laws.

(xxviii) Except as could not reasonably be expected

to have a Material Adverse Effect, Continental and the Subsidiaries possess such permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their respective businesses in the manner described in the Offering Memorandum. Neither Continental nor any of the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of any unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(xxix) Except as disclosed in the Offering Memorandum, there is no claim pending or to the knowledge of Continental threatened under any Environmental Law (as defined below) against Continental or the Subsidiaries which could reasonably be expected, singly or in the aggregate, to result in a Material Adverse Effect; to the knowledge of Continental there are no past or present actions, conditions, events, circumstances or practices, including, without limitation, the release of any Hazardous Material (as defined below) that could reasonably be expected to form the basis of any such claim under any Environmental Law against Continental or the Subsidiaries which would, singly or in the aggregate, result in a Material Adverse Effect. The term "Environmental Law" means the common law and any federal, state, local or foreign law, rule or regulation, code, order, decree, judgment or injunction, issued, promulgated, approved or entered thereunder relating to pollution or protection of public or employee health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act, as amended, the Toxic Substance Control Act, as amended, the Clean Air Act, as amended, and the Federal Water Pollution Act, as amended, and their foreign, state and local counterparts or equivalents and any other laws relating to (i) releases of any Hazardous Material into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, presence or handling of any Hazardous Material, or (iii) underground storage tanks and related piping, and releases therefrom. The term "Hazardous Material" means any pollutant, contaminant, chemical, hazardous material, or industrial, toxic or hazardous substance or waste (including, without limitation, petroleum, including crude oil or any fraction thereof or any petroleum product) regulated by or the subject of any Environmental Law.

(xxx) There are no persons with registration rights or other similar rights to have any securities of Continental (other than the Securities) registered under any registration statement contemplated by the Registration Rights Agreement, other than (i) the holders of each of the Series A 6% Convertible Secured Debentures due 2002, the Series B 8% Convertible Secured Debentures due 2000 and the 10.22% Series A Unsecured Sinking Fund Notes due 2000 of Continental, (ii) Air Partners, L.P. and (iii) Air Canada.

(xxxi) The Preferred Securities have been designated PORTAL eligible securities in accordance with the rules and regulations of the NASD.

(b) Any certificate signed by any officer of Continental and delivered to the Initial Purchasers or to counsel for the Initial Purchasers pursuant to the terms of this Agreement shall be deemed a representation and warranty by Continental to the Initial Purchasers as to the matters covered thereby.

SECTION 2. Purchase and Sale of the Securities.

Subject to the terms and conditions and in reliance on the representations and warranties of the Initial Purchasers set forth herein, the Trust agrees to sell to the Initial

Purchasers and, subject to the terms and conditions and in reliance upon the representations and warranties of the Trust and Continental herein set forth, the Initial Purchasers agree, severally and not jointly, to purchase from the Trust, at a purchase price of \$50 per Firm Preferred Security, (a) an aggregate of 4,500,000 Firm Preferred Securities, and (b) in the event and to the extent that the Initial Purchasers shall elect to purchase Additional Preferred Securities pursuant to the paragraph immediately following, an aggregate of up to 675,000 Additional Preferred Securities.

The Trust hereby grants to the Initial Purchasers the right to purchase at their election up to 675,000 Additional Preferred Securities, at the purchase price per security set forth in the immediately preceding paragraph, for the sole purpose of covering overallocments in the sale of the Firm Preferred Securities. Any such election to purchase Additional Preferred Securities shall be exercised by written notice from the Initial Purchasers to Continental and the Trust, within 30 days after the date of this Agreement, setting forth the aggregate number of Additional Preferred Securities to be purchased and the date on which such Additional Preferred Securities are to be delivered. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than three business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined, unless otherwise agreed by the Representatives, Continental and the Trust. If the option is exercised as to all or any portion of the Additional Preferred Securities, each of the Initial Purchasers, acting severally and not jointly, will purchase that proportion of the total number of Additional Preferred Securities then being purchased which the number of Firm Preferred Securities set forth in Schedule A opposite the name of such Initial Purchaser bears to the total number of Firm Preferred Securities, subject in each case to such adjustments as the Representatives in their discretion shall make to eliminate any sales or purchases of fractional securities.

As compensation to the Initial Purchasers for their commitments hereunder and in view of the fact that the proceeds of the sale of the Securities will be used to purchase the Convertible Subordinated Debentures, Continental hereby agrees to pay at the Closing Time and at any Date of Delivery to the Representatives, for the accounts of the Initial Purchasers, a commission of \$1.50 per Preferred Security purchased by the Initial Purchasers.

SECTION 3. Delivery and Payment. Delivery of and payment for the Firm Preferred Securities shall be made at 10:00 A.M., New York City time, on November 28, 1995, or such later date and time not more than two (2) business days thereafter as the Representatives, Continental and the Trust shall agree (such date and time of delivery and payment for the Firm Preferred Securities being herein called the "Closing Time"). In addition, in the event that any or all of the Additional Preferred Securities are purchased by the Initial Purchasers, payment of the purchase price for, and delivery of certificates for, such Additional Preferred Securities shall be made at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York, or at such other place as shall be agreed upon by the Representatives, Continental and the Trust, on the Date of Delivery as specified in the notice from the Representatives to Continental and the Trust. Delivery of the Firm Preferred Securities and the Additional Preferred Securities, if any, shall be made to the Initial Purchasers against payment by the Initial Purchasers of the purchase price thereof by wire transfer or certified or official bank check or checks payable in New York Clearing House (next day) funds to the order of the Trust or as the Trust may direct. Delivery of the Firm Preferred Securities and the Additional Preferred Securities, if any, in definitive form shall be made at such location as the Initial Purchasers shall reasonably designate at least two business days in advance of the Closing Time or the Date of Delivery, as the case may be, and payment for the Securities shall be made at the offices of Cahill Gordon & Reindel, 80 Pine Street, New York, New York. Certificates for the Firm Preferred Securities and the Additional Preferred Securities, if any, shall be registered in such names and in such denominations as the Initial Purchasers may request not less than two full business days in advance of the Closing Time

or the Date of Delivery, as the case may be.

The Trust agrees to have the Preferred Securities available for inspection, checking and packaging by the Initial Purchasers in New York, New York, not later than 10:00 A.M. on the business day prior to the Closing Time or the Date of Delivery, as the case may be.

SECTION 4. Resale of the Securities. (a) The Initial Purchasers have advised the Trust and Continental that they propose to offer the Securities for resale upon the terms and conditions set forth in this Agreement and in the Offering Memorandum. The Initial Purchasers hereby represent and warrant to, and agree with, the Trust and Continental that the Initial Purchasers are Qualified Institutional Buyers, and they, their affiliates and any person acting on behalf of them or their affiliates, (i) have not and will not solicit offers for, or offer or sell, the Securities by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Act and have not engaged and will not engage in any directed selling efforts within the meaning of Rule 902 under the Act in the United States in connection with the Securities being offered and sold pursuant to Regulation S under the Act, and have complied and will comply with the offering restrictions requirement of Regulation S under the Act (ii) are not purchasing with a view to or for offer or sale in connection with any distribution that would be in violation of federal or state law and (iii) have solicited and will solicit offers for such Securities pursuant to Rule 144A, Regulation S or resales not involving a public offering, as applicable, only from, and will offer, sell or deliver the Securities, as part of their initial offering, only to (A) persons in the United States whom the Initial Purchasers reasonably believe to be Qualified Institutional Buyers or, if any such person is buying for one or more institutional accounts for which such person is acting as fiduciary or agent, only when such person has represented to the Initial Purchasers that each such account is a Qualified Institutional Buyer, to whom notice has been given that such sale or delivery is being made in reliance on Rule 144A, and, in each case, in transactions under Rule 144A, (B) a limited number of other institutional investors whom the Initial Purchasers reasonably believe to be "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D) that are purchasing for their own accounts or for the account of an institutional accredited investor for investment purposes and not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of federal or state law and (C) non-U.S. persons outside the United States to whom offers and sales of the Securities may be made in reliance upon Regulation S under the Act in transactions meeting the requirements of Regulation S; provided that with respect to clauses (B) and (C), each such transfer of Securities is effected by the delivery to such purchaser of Securities in definitive form and registered in its name (or its nominee's name) on the books maintained by the transfer agent; and provided, further, that with respect to clauses (B) and (C), such institutional accredited investors and non-U.S. persons shall be required to complete and deliver a purchaser questionnaire (substantially in the form of Exhibit A to the Offering Memorandum) to the Initial Purchasers prior to the confirmation of any order.

(b) In connection with sales outside the United States pursuant to clause (C) of Section 4(a), each Initial Purchaser represents and warrants to and agrees with Continental and the Trust that it has not offered or sold, and will not offer, sell or deliver Securities to, or for the account or benefit of, U.S. persons (within the meaning of Regulation S under the Act) (i) as part of their distribution at any time or (ii) otherwise until one year after the later of the commencement of the offering and the Closing Time, and it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells such Preferred Securities during such period, a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons.

(c) Each Initial Purchaser represents and agrees

that (a) it has not offered or sold and will not offer or sell any Securities to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom for purposes of the Public Offers of Securities Regulations 1995, (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 of Great Britain with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom, and (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document in connection with the issue of the Securities to a person who is of a kind described in Article 8 of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) (No. 2) Order 1995 of Great Britain or is a person to whom the document may otherwise lawfully be issued or passed on.

(d) Each Initial Purchaser acknowledges that, other than as may be required pursuant to Section 5(k) hereof, (i) neither Continental nor the Trust is obligated to take any action that would permit the offer or sale of the Preferred Securities or the distribution of any Offering Memorandum or any other offering material relating to the Securities in any jurisdiction where action for that purpose is required and (ii) neither Continental nor the Trust will have responsibility with respect to the right of any person to offer or sell Preferred Securities or to distribute any Offering Memorandum or any other offering material relating to the Securities in any jurisdiction. Therefore, except as may be required pursuant to Section 5(k) hereof, each Initial Purchaser will obtain any consent, approval or authorization required for it to offer or sell Preferred Securities, or to distribute any Offering Memorandum or any other offering material relating to the Preferred Securities, under the laws or regulations of any jurisdiction where it proposes to make offers or sales of Preferred Securities, or to distribute any Offering Memorandum or any other offering material relating to the Preferred Securities.

SECTION 5. Covenants of the Trust and Continental.
The Trust and Continental covenant with the Initial Purchasers as follows:

(a) The Trust and Continental will furnish to the Initial Purchasers and counsel for the Initial Purchasers, without charge, such number of copies of the Preliminary Offering Memorandum and the Offering Memorandum and any amendments or supplements thereto as the Initial Purchasers and their counsel may reasonably request.

(b) Continental and the Trust will give the Representatives notice of their intention to prepare any amendment or supplement to the Preliminary Offering Memorandum or the Offering Memorandum, will furnish the Representatives and counsel to the Initial Purchasers with copies of any such amendment or supplement and will not distribute any such amendment or supplement to which the Representatives or counsel for the Initial Purchasers shall reasonably object.

(c) If at any time prior to completion of the distribution of the Securities by the Initial Purchasers to purchasers who are not their affiliates (as determined by the Representatives) any event shall occur as a result of which it is necessary, in the reasonable opinion of the Representatives or counsel for the Initial Purchasers, to amend or supplement the Offering Memorandum in order that the Offering Memorandum, as then amended or supplemented, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or, if in the reasonable opinion of the Representatives or counsel to the Initial Purchasers, such amendment or supplement is necessary to comply with applicable law, the Trust and Continental will, subject to paragraph (b) of this Section 5, promptly prepare such amendment or supplement as may be necessary to correct such untrue statement or omission or to effect such

compliance (in form and substance reasonably agreed upon by counsel to the Initial Purchasers), so that as so amended or supplemented, the statements in the Offering Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading or so that such Offering Memorandum as so amended or supplemented will comply with applicable law, as the case may be, and furnish to the Initial Purchasers such number of copies of such amendment or supplement as the Initial Purchasers may reasonably request. The Trust and Continental agree to notify the Initial Purchasers in writing to suspend use of the Offering Memorandum as promptly as practicable after the occurrence of an event specified in this paragraph (c), and the Initial Purchasers hereby agree upon receipt of such notice from the Trust and Continental to suspend use of the Offering Memorandum until the Trust and Continental have amended or supplemented the Offering Memorandum to correct such misstatement or omission or to effect such compliance.

(d) Notwithstanding any provision of paragraph (b) or (c) to the contrary, however, the Trust's and Continental's obligations under paragraphs (b) and (c) and the Initial Purchasers' obligations under paragraph (c) shall terminate on the earlier to occur of (i) the effective date of a shelf registration statement with respect to the Securities filed pursuant to the Registration Rights Agreement and (ii) the date upon which the Initial Purchasers and their affiliates cease to hold Securities acquired as part of their initial distribution, but in any event not later than one year from the Closing Time.

(e) Neither Continental, the Trust nor any of their affiliates (as defined in Rule 501(b) under the Act), nor any person acting on behalf of the foregoing (other than the Initial Purchasers), will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer or sale of the Securities in the United States, or engage in any directed selling efforts (as defined in Rule 902 under the Act) with respect to the Securities prior to the effectiveness of a registration statement with respect to the Securities, and each of them will comply with the offering restrictions requirement of Regulation S. Terms used in this clause 5(e) have the meanings given to them by Regulation S.

(f) Neither Continental nor any of its affiliates (including the Trust) (as defined in Rule 501(b) under the Act) will, directly or indirectly, make offers or sales of any security, or solicit offers to buy any security, under circumstances that would require the registration of the Securities under the Act.

(g) So long as any of the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Act, Continental will, during any period in which it is not subject to and in compliance with, Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provide to each holder of such restricted securities and to each prospective purchaser (as designated by such holder) of such restricted securities, upon the request of such holder or prospective purchaser, any information required to be provided by Rule 144A(d)(4) under the Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by such holders, from time to time of such restricted securities.

(h) Continental will use reasonable efforts to cooperate with the Initial Purchasers to permit the Preferred Securities to be eligible for clearance and settlement through The Depository Trust Company and to be designated PORTAL eligible securities in accordance with the rules and regulations of the NASD.

(i) Each Preferred Security (and each Convertible

Subordinated Debenture distributed to holders of Preferred Securities pursuant to the terms of the Declaration) will bear the following legend until such legend shall no longer be necessary or advisable because the Preferred Securities (or the Convertible Subordinated Debentures) are no longer subject to the restrictions on transfer described herein:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES FINANCE TRUST (THE "TRUST"), CONTINENTAL AIRLINES, INC. ("CONTINENTAL") OR ANY AFFILIATE OF THE FOREGOING WAS THE OWNER OF THIS SECURITY (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE TRUST OR CONTINENTAL, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE TRUST'S, CONTINENTAL'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(j) Each Conversion Share, if any, will bear the following legend until such legend shall no longer be necessary or advisable because the Conversion Shares are no longer subject to the restrictions on transfer described herein:

THE CLASS B COMMON STOCK EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST

OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER THIS SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THE CONVERTIBLE SUBORDINATED DEBENTURES UPON THE CONVERSION OF WHICH THE CLASS B COMMON STOCK EVIDENCED HEREBY WAS ISSUED AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES FINANCE TRUST (THE "TRUST"), CONTINENTAL AIRLINES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE FOREGOING WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO CONTINENTAL, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE CLASS B COMMON STOCK IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR," FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO CONTINENTAL'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

(k) Continental will, or will cause the Trust to, arrange for the registration and qualification of the Securities for offering and sale under the applicable securities or "blue sky" laws of such states and other jurisdictions as the Initial Purchasers may reasonably designate in connection with the resale of the Securities as contemplated by this Agreement and the Offering Memorandum and will continue such qualifications in effect for as long as may be necessary to complete the distribution of the Securities; provided that in no event shall the Trust or Continental be obligated to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Section 5(k), (ii) file any general consent to service of process in any jurisdiction where it is not at the Closing Time then so subject or (iii) subject itself to taxation in any such jurisdiction if it is not so subject. Continental will, or will cause the Trust to, file such statements and reports as may be

required by the laws of each jurisdiction to continue such qualification in effect for a period of not less than one year from the Closing Time or such shorter period that

will terminate when all Securities to be sold subject to such qualification have been sold or withdrawn. Continental shall promptly advise the Initial Purchasers of the receipt by Continental of any notification with respect to the suspension of the qualification or exemption from qualification of the Securities for offering or sale in any jurisdiction or the institution of any proceeding for such purpose.

(l) The Trust will use the proceeds received from the sale of the Preferred Securities and Continental will use the proceeds received from the issue and sale of the Convertible Subordinated Debentures in the manner specified in the Offering Memorandum under the heading "Use of Proceeds."

(m) The Trust and Continental shall not, directly or indirectly, for a period of 90 days after the date hereof, except with the prior written consent of Merrill Lynch, offer, sell or enter into any agreement to sell, or otherwise dispose of (a) any trust certificates or other securities of the Trust (other than the Preferred Securities and the Common Securities of the Trust), (b) any preferred stock or any other security of Continental that is substantially similar to the Preferred Securities, (c) any shares of any class of common stock of Continental (other than (i) shares of Class B Common Stock issuable upon conversion of the Preferred Securities or pursuant to the exercise of options and warrants outstanding as of the date hereof, (ii) the grant of stock options or other stock-based awards (and the exercise or vesting thereof) to directors, officers and employees of Continental or its Subsidiaries and (iii) as may be required pursuant to the certificate of incorporation of Continental) or (d) any other securities which are convertible into, or exercisable or exchangeable for, any of (a) through (c).

SECTION 6. Payment of Expenses. (a) Continental will pay and bear all costs and expenses incident to the performance of its obligations under this Agreement, including (i) the preparation and printing of the Preliminary Offering Memorandum, the Offering Memorandum and any amendments or supplements thereto and the cost of furnishing copies thereof to the Initial Purchasers, (ii) the preparation, issuance, printing and distribution of the Securities and any survey of state securities or "blue sky" laws or legal investment memoranda, (iii) the delivery to the Initial Purchasers of the Preferred Securities, (iv) the fees and disbursements of Continental's counsel and accountants, (v) the qualification of the Securities under the applicable state securities or "blue sky" laws in accordance with the provisions of Section 5(k) hereof and any filing for review of the offering with the NASD, if required, including filing fees and reasonable fees and disbursements of counsel to the Initial Purchasers in connection therewith and in connection with the preparation of any survey of state securities or "blue sky" laws or legal investment memoranda, (vi) any fees charged by rating agencies for rating the Securities, (vii) the fees and expenses of the Indenture Trustee, Property Trustee, Guarantee Trustee and Delaware Trustee and the transfer agent and registrar for the Class B Common Stock, including the fees and disbursements of counsel for such trustees and the transfer agent and registrar, (viii) all expenses and listing fees in connection with the application for designation of the Preferred Securities as PORTAL eligible securities and (ix) the cost of qualifying the Preferred Securities with The Depository Trust Company.

(b) If the sale of the Preferred Securities provided for herein is not consummated because any condition to the obligations of the Initial Purchasers set forth in Section 7 hereof is not satisfied or because this Agreement is terminated pursuant to Section 11(a)(i) hereof other than by reason of a default by the Initial Purchasers in payment for the Preferred Securities at the Closing Time, Continental shall reimburse the Initial Purchasers promptly upon demand for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel to the Initial Purchasers) that shall have been incurred by them in connection with the proposed purchase and

sale of the Preferred Securities.

SECTION 7. Conditions of the Initial Purchasers' Obligations. The obligations of the Initial Purchasers to purchase and pay for the Preferred Securities are subject to the accuracy, as of the Closing Time, of the representations and warranties of Continental and the Trust herein contained, to the accuracy of the statements of Continental and the Trust and officers of Continental or Regular Trustees made in any certificate pursuant to the provisions hereof, to the performance by Continental and the Trust of their respective obligations hereunder, and to the following further conditions:

(a) At the Closing Time, the Initial Purchasers shall have received the favorable opinion and letter of Cleary, Gottlieb, Steen & Hamilton, special counsel for Continental and the Trust, dated as of the Closing Time, in the forms set forth in Exhibit B and Exhibit C.

(b) At the Closing Time, the Initial Purchasers shall have received the favorable opinion of Jeffery A. Smisek, Senior Vice President and General Counsel of Continental, dated as of the Closing Time in the form set forth in Exhibit D.

(c) At the Closing Time, the Initial Purchasers shall have received the favorable opinion, dated as of the Closing Time, of Cahill Gordon & Reindel, counsel for the Initial Purchasers, substantially in the form set forth in Exhibit E.

(d) At the Closing Time, the Trust shall have received opinions of Richards Layton & Finger, counsel to the Delaware Trustee and special Delaware counsel to Continental and the Trust, dated as of the Closing Time substantially in the forms set forth in Exhibit F and Exhibit G.

(e) At the Closing Time, Continental shall have received the favorable opinion of Cleary, Gottlieb, Steen & Hamilton, special tax counsel to Continental and the Trust, dated as of the Closing Time substantially in the form set forth in Exhibit H.

(f) At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Offering Memorandum except as stated therein, any Material Adverse Change or any development resulting in a prospective Material Adverse Change, and the Representatives shall have received a certificate of the President or a Vice President of Continental and of the principal financial or accounting officer of Continental, dated as of Closing Time, to the effect that (i) there has been no such Material Adverse Change or development resulting in a prospective Material Adverse Change, (ii) the representations and warranties of Continental in this Agreement are true and correct with the same force and effect as though expressly made at and as of Closing Time, and (iii) Continental has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time.

(g) At the time that this Agreement is signed and at the Closing Time, Ernst & Young LLP shall have furnished to the Initial Purchasers a letter or letters, dated respectively as of the date of this Agreement and as of the Closing Time, in form and substance satisfactory to the Initial Purchasers, confirming that they are independent certified public accountants within the meaning of the Act and the applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the audited financial statements included in the Offering Memorandum comply as to form in all material respects with the applicable accounting requirements of the Act and the rules and regulations promulgated thereunder;

(ii) on the basis of a reading of the latest unaudited financial statements made available by

Continental; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, the board of directors and committees thereof of Continental; and inquiries of certain officials of Continental who have responsibility for financial and accounting matters of Continental as to transactions and events subsequent to September 30, 1995, and such other inquiries and procedures as may be specified in such letter, nothing came to their attention which caused them to believe that:

(A) the unaudited financial statements included in the Offering Memorandum do not comply as to form in all material respects with applicable accounting requirements of the Act and with the published rules and regulations of the Commission; and said unaudited financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included in the Offering Memorandum; or

(B) with respect to the period subsequent to September 30, 1995, that at a specified date not more than five business days prior to the date of the letter, there were any changes in the capital stock or any increases in the consolidated long-term debt or consolidated net current liabilities or any decreases in stockholders' equity of Continental, as compared with the amounts shown on the September 30, 1995 unaudited balance sheet included in the Offering Memorandum, or for the period from September 30, 1995 to such specified date there were any decreases, as compared with the corresponding period in the preceding year, in consolidated operating revenues, net income or primary or fully-diluted income per common share or any increases in net loss or primary or fully-diluted loss per common share of Continental, except in all instances for increases or decreases that are described in such letter or that the Offering Memorandum discloses have occurred or may occur; and

(iii) they have performed certain other

specified

procedures, not constituting an audit, with respect to certain amounts, percentages and financial information that are derived from the general accounting records of Continental and are included in the Offering Memorandum, and have compared such amounts, percentages and financial information with such records of Continental and with information derived from such records and have found them to be in agreement, excluding any questions of legal interpretation. References to the Offering Memorandum in this subsection (e) include any supplement thereto at the date of the applicable letter.

(h) At the Closing Time, counsel for the Initial Purchasers shall have been furnished with such documents as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as contemplated herein and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained.

(i) Each of Air Partners, L.P. and Air Canada shall have executed and delivered a 90-day lock-up agreement with respect to the shares of capital stock of Continental owned by it substantially to the effect described in the Offering Memorandum.

(j) The Trust, Continental and the Initial Purchasers shall have entered into the Registration Rights Agreement.

(k) In the event that the Initial Purchasers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Additional Preferred Securities, the obligations of the Initial Purchasers to consummate such purchase are subject to the further conditions that the representations and warranties of Continental contained herein and the statements in any certificates furnished by Continental hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(1) A certificate, dated such Date of Delivery, of the President or a Vice President of

Continental

and of the principal financial or accounting officer of Continental confirming that the certificate delivered at the Closing Time pursuant to Section 7(f) remains true and correct as of such Date of Delivery.

(2) The opinions of Cleary, Gottlieb, Steen & Hamilton and Richards Layton & Finger, dated such Date of Delivery, relating to the Additional Preferred Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by

Sections

7(a) and 7(d).

(3) The opinion of Cahill Gordon & Reindel, counsel for the Underwriters, dated such Date of Delivery, relating to the Additional Preferred Securities to be purchased on such Date of Delivery and otherwise to the same effect as

the

opinion required by Section 7(c) hereof.

(4) A letter from Ernst & Young, dated such Date of Delivery, substantially the same in form and substance as the letter furnished to the Representatives pursuant to Section 7(g)

hereof,

except that the "specified date" shall be a

date

not more than five days prior to such Date of Delivery.

If any condition specified in this Section 7 shall not have been fulfilled in all material respects when and as required to be fulfilled, this Agreement may be terminated by the Initial Purchasers by notice to Continental, and such termination shall be without liability of any party to any other party except as provided in Section 6. Notwithstanding any such termination, the provisions of Sections 8 and 9 shall remain in effect. Immediate notice of such cancellation shall be given to Continental in writing or by telephone, facsimile transmission or telegraph confirmed in writing.

SECTION 8. Indemnification. (a) Continental agrees to indemnify and hold harmless the Trust, each Initial Purchaser, and each person, if any, who controls the Trust or each Initial Purchaser within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and their respective directors, officers, employees and agents, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, including any amounts paid in settlement of any investigation, litigation, proceeding or claim, joint or several, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Offering Memorandum or the Offering Memorandum or any amendment or supplement thereto, or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, in the light of the circumstances

under which they were made, not misleading; provided, that Continental shall not be liable under this clause (i) for any settlement of any action effected without its written consent, which consent shall not be unreasonably withheld; and

(ii) against any and all expenses whatsoever, as incurred (including, subject to Section 8(c) hereof, the reasonable fees and disbursements of counsel chosen by Merrill Lynch to represent the Initial Purchasers), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under clause (i) above;

provided that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with information furnished to Continental by such Initial Purchasers in writing expressly for use in the Preliminary Offering Memorandum or the Offering Memorandum (or any amendment or supplement thereto). The foregoing indemnification with respect to any Preliminary Offering Memorandum shall not inure to the benefit of any Initial Purchaser from whom the person asserting any such losses, claims, damages or liabilities purchased Preferred Securities, or any person controlling such Initial Purchaser, if a copy of the Offering Memorandum was not sent or given by or on behalf of such Initial Purchaser to such person in connection with the written confirmation of the sale of such Preferred Securities to such person and if the Offering Memorandum corrected the untrue statement or omission giving rise to such loss, claim, damage or liability.

(b) The Initial Purchasers, severally and not jointly, agree to indemnify and hold harmless Continental, the Trust, their directors, officers, employees, trustees and agents, and each person, if any, who controls Continental or the Trust within the meaning of Section 15 of the Act or Section 20 of the Exchange Act from and against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in subsection (a) of this Section 8, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Offering Memorandum (or any amendment or supplement thereto), or any Preliminary Offering Memorandum (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to Continental by such Initial Purchasers expressly for use in the Offering Memorandum (or any amendment or supplement thereto) or such Preliminary Offering Memorandum (or any amendment or supplement thereto).

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, enclosing a copy of all papers served on such indemnified party, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of any such action. If an indemnifying party so elects within a reasonable time after receipt of such notice, such indemnifying party may assume the defense of such action with counsel chosen by it and approved by the indemnified party or parties defendant in such action; provided that if any such indemnified party reasonably determines that there may be legal defenses available to such indemnified party which are different from or in addition to those available to such indemnifying party or that representation of such indemnifying party and any indemnified party by the same counsel would present a conflict of interest, then such indemnifying party shall not be entitled to assume such defense. If an indemnifying party is not entitled to assume the defense of such action as a result of the proviso to the preceding sentence, counsel for such indemnifying party shall be entitled to conduct the defense of such indemnifying party and counsel

for each indemnified party or parties shall be entitled to conduct the defense of such indemnified party or parties. If an indemnifying party assumes the defense of an action in accordance with and as permitted by the provisions of this paragraph, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from its own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 9. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 8 is for any reason held to be unavailable to the indemnified parties although applicable in accordance with its terms, Continental and the Initial Purchasers shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by Continental and the Initial Purchasers, as incurred, in such proportions that the Initial Purchasers are responsible for that portion represented by the percentage that the commission to the Initial Purchasers appearing on the cover page of the Offering Memorandum bears to the price to investors appearing thereon and Continental is responsible for the balance; provided that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each director, officer, employee and agent of the Initial Purchasers, and each person, if any, who controls the Initial Purchasers within the meaning of Section 15 of the Act shall have the same rights to contribution as such Initial Purchasers, and each director, officer, employee, trustee and agent of Continental and the Trust, and each person, if any, who controls Continental or the Trust within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, shall have the same rights to contribution as Continental. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent.

SECTION 10. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties, indemnities, agreements and other statements of the Trust, Continental and its officers and of the Initial Purchasers contained in or made pursuant to this Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Initial Purchasers or any controlling person, or by or on behalf of Continental, and shall survive delivery of and payment for the Securities hereunder.

SECTION 11. Termination of Agreement. (a) The Initial Purchasers may terminate this Agreement, by notice to the Trust and Continental, at any time on or prior to the Closing Time (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the Offering Memorandum, except as stated therein, and on or prior to the Closing Time, any Material Adverse Change, or (ii) if, since the date of this Agreement and on or prior to the Closing Time, (A) there has occurred any outbreak of hostilities or escalation of existing hostilities or other national or international calamity or crisis, the effect of which on the financial securities markets of the United States is such as to make it, in the judgment of the Initial Purchasers, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (B) trading generally on the New York Stock Exchange, the American Stock Exchange or the over-the-counter market has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities generally have been required, by any such exchange or by order of the Commission, the NASD or any other governmental authority or (C) a general banking moratorium has been declared by either Federal or New York authorities. As used in this Section 11(a), the term "Offering Memorandum" means the Offering Memorandum in the form first used to confirm sales of the Securities.

(b) If this Agreement is terminated pursuant to this Section 11, such termination shall be without liability of any party to any other party except as provided in Section 6. Notwithstanding any such termination, the provisions of Sections 8 and 9 shall remain in effect.

(c) This Agreement may also terminate pursuant to the provisions of Section 7, with the effect stated in such Section.

SECTION 12. Default by One or More of the Initial Purchasers. If one or more of the Initial Purchasers shall fail at Closing Time to purchase the Firm Preferred Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Initial Purchasers, or any other Initial Purchasers, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth. If, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Firm Preferred Securities, each of the non-defaulting Initial Purchasers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective purchase obligations hereunder bear to the purchase obligations of all non-defaulting Initial Purchasers, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Firm Preferred Securities, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchasers.

No action taken pursuant to this Section shall relieve any defaulting Initial Purchasers from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representatives or Continental shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Offering Memorandum or in any other documents or arrangements.

SECTION 13. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchasers shall be directed to the Initial Purchasers, c/o Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1305, Attention: Mark J. Schulte, Managing Director; notices to the Trust shall be directed to Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration; and notices to Continental shall be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: General Counsel.

SECTION 14. Information Supplied by the Initial Purchasers. The statements set forth in the last paragraph on the front cover page, the fifth paragraph on page 4 and under the heading "Plan of Distribution" in the Preliminary Offering Memorandum or the Offering Memorandum (to the extent such statements relate to the Initial Purchasers) constitute the only information furnished by the Initial Purchasers to Continental for the purposes of Sections 1 and 8 hereof.

SECTION 15. Parties. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Trust and Continental and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Initial Purchasers and the Trust, Continental and their respective successors and legal representatives and the controlling persons and officers,

directors, employees, trustees and agents referred to in Sections 8 and 9 and their heirs and legal representatives, any legal or equitable right, remedy or claim under, by virtue of or in respect of this Agreement or any provision herein contained, except as expressly set forth in Section 5(g) hereof. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Initial Purchasers and the Trust, Continental and their respective successors and legal representatives, and said controlling persons and officers, directors, employees, trustees and agents and their heirs and legal representatives, and for the benefit of no other person, firm or corporation, except as expressly set forth in Section 5(g) hereof. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor by reason merely of such purchase.

SECTION 16. Governing Law and Time. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY PROVISIONS RELATING TO CONFLICTS OF LAWS. Specified times of day refer to New York City time.

SECTION 17. Counterparts. This Agreement may be executed in one or more counterparts and, when a counterpart has been executed by each party, all such counterparts taken together shall constitute one and the same agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to Continental and the Trust a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Initial Purchasers, Continental and the Trust in accordance with their terms.

Very truly yours,

CONTINENTAL AIRLINES FINANCE TRUST

By: __

Wilmington Trust Company, not

in

its individual capacity but
solely as trustee of

Continental

Airlines Finance Trust

By:

Name: Lawrence W. Kellner
Title: Regular Trustee

By:

Name: Jeffery A. Smisek
Title: Regular Trustee

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS FIRST BOSTON CORPORATION
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
SMITH BARNEY INC.

For themselves and on behalf of
the several Initial Purchasers

By: Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: _____
Name: Howard Bochner
Title: Vice President

Schedule A

| Initial Purchaser Securities | Number of Firm Preferred |
|--|-----------------------------|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 975,000 |
| CS First Boston Corporation | 975,000 |
| Donaldson, Lufkin & Jenrette Securities Corporation | 975,000 |
| Smith Barney Inc. | 975,000 |
| BT Securities Corporation | 200,000 |
| PaineWebber Incorporated | 200,000 |
| S.G. Warburg & Co. Inc. | 200,000 4,500,000 |

EXHIBIT A

REGISTRATION RIGHTS AGREEMENT

(Filed as Exhibit 10.1 to this Registration Statement)

November 28, 1995

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Donaldson, Lufkin & Jenrette Securities Corporation
Smith Barney Inc.

as Representatives of the several Initial Purchasers
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Ladies and Gentlemen:

We have acted as special counsel to Continental Airlines, Inc., a Delaware corporation (the "Company"), and Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the Trust's offering of 4,500,000 convertible trust originated preferred securities (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Trust issued pursuant to an amended and restated declaration of trust dated as of November 28, 1995 (the "Declaration") by the trustees of the Trust, the Company, as trust sponsor, and the holders from time to time of undivided beneficial interests in the Trust. The Preferred Securities will be guaranteed by the Company in the manner and to the extent set forth in a Preferred Securities Guarantee Agreement dated as of November 28, 1995 (the "Preferred Securities Guarantee Agreement") executed by the Company and Wilmington Trust Company, as trustee for the benefit of the holders from time to time of the Preferred Securities. The Company will own all the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") representing undivided beneficial interests in the assets of the Trust issued pursuant to the Declaration and guaranteed by the Company in the manner and to the extent set forth in a Common Securities Guarantee Agreement dated as of November 28, 1995 (the "Common Securities Guarantee Agreement" and, together with the Preferred Securities Guarantee Agreement, the "Guarantee Agreements") executed by the Company for the benefit of the holders from time to time of the Common Securities.

The Trust will issue the Trust Securities and invest the proceeds thereof in an equivalent aggregate principal amount of Convertible Subordinated Deferrable Interest Debentures (the "Debentures") of the Company to be issued under an indenture dated as of November 28, 1995 (the "Indenture") between the Company and Wilmington Trust Company, as trustee. The Debentures will be convertible into shares of Class B common stock, \$.01 par value per share (the "Class B Common Stock"), of the Company. This opinion letter is furnished pursuant to Section 7(a) of the purchase agreement dated November 21, 1995 (the "Purchase Agreement") among the Company, the Trust and the several initial purchasers named in Schedule A thereto (the "Initial Purchasers").

In arriving at the opinions expressed below, we have reviewed the following documents:

- (a) an executed copy of the Purchase Agreement;
- (b) the Offering Memorandum dated November 21, 1995 relating to the offering of the Preferred Securities;
- (c) an executed copy of each of the Guarantee Agreements;
- (d) an executed copy of the Indenture;

- (e) an executed copy of the Declaration;
- (f) the Debentures as executed by the Company;
- (g) a specimen of the certificates representing the Class B Common Stock issuable upon conversion of the Convertible Subordinated Debentures (the "Conversion Shares");
- (h) an executed copy of the Registration Rights Agreement dated November 28, 1995 among the Company, the Trust and the Initial Purchasers (the "Registration Rights Agreement"); and
- (i) the documents delivered to you by the Company and the Trust at the closing pursuant to the Purchase Agreement, including copies of the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") and By-Laws certified by the Secretary of State of the State of Delaware and the corporate secretary of the Company, respectively.

In addition, we have reviewed the originals or copies certified or otherwise identified to our satisfaction of all such corporate records of the Company and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below.

In rendering the opinions expressed below, we have assumed the authenticity of all documents submitted to us as originals and the conformity to the originals of all documents submitted to us as copies. In addition, we have assumed and have not verified (i) the accuracy as to factual matters of each document we have reviewed (including, without limitation, the accuracy of the representations and warranties of the Company and the Trust in the Purchase Agreement) and (ii) that the certificates representing the Conversion Shares conform to the specimens thereof that we have reviewed and that the Debentures will be duly authenticated in accordance with the terms of the Indenture.

Based on the foregoing, and subject to the further assumptions and qualifications set forth below, it is our opinion that:

1. The Company is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation.

2. The Company has corporate power to own its properties and conduct its business as described in the Offering Memorandum, and the Company has corporate power to issue the Debentures, to enter into the Purchase Agreement, the Guarantee Agreements, the Indenture, the Declaration and the Registration Rights Agreement and to perform its obligations thereunder.

3. The execution and delivery of the Indenture have been duly authorized by all necessary corporate action of the Company, and the Indenture has been duly executed and delivered by the Company, and is a legal, valid, binding and enforceable agreement of the Company.

4. The execution and delivery of the Debentures have been duly authorized by all necessary corporate action of the Company, and the Debentures have been duly executed and delivered by the Company and are the legal, valid, binding and enforceable obligations of the Company, entitled to the benefits of the Indenture.

5. The execution and delivery of the Declaration have been duly authorized by all necessary corporate action of the Company, and the Declaration has been duly executed and delivered by the Company.

6. The execution and delivery of each of the Guarantee Agreements have been duly authorized by all necessary corporate action of the Company, and each of the Guarantee Agreements has been duly executed and delivered by the Company, and is a legal,

valid, binding and enforceable agreement of the Company.

7. The holders of outstanding shares of capital stock of the Company are not entitled to any preemptive rights under the Certificate of Incorporation or By-Laws of the Company or the law of Delaware to subscribe for the Preferred Securities, the Debentures or the Conversion Shares, other than the preemptive rights of Air Partners, L.P. and Air Canada under the Certificate of Incorporation; and the Conversion Shares into which the Debentures are convertible at the initial conversion price have been duly authorized by all necessary corporate action of the Company and reserved for issuance upon conversion and, upon issuance thereof on conversion of the Debentures in accordance with the Indenture and the terms of the Debentures at conversion prices at or in excess of the par value of such Conversion Shares, will be validly issued, fully paid and nonassessable.

8. The statements set forth under the headings "Description of the Preferred Securities", "Description of the Guarantee", "Description of the Convertible Subordinated Debentures", "Effect of Obligations under the Convertible Subordinated Debentures and the Guarantee" and "Description of Capital Stock" in the Offering Memorandum, insofar as such statements purport to summarize certain provisions of the Trust Securities, the Debentures, the Guarantees, the Indenture, the Declaration and the Certificate of Incorporation of the Company, provide a fair summary of such provisions, and the statements set forth under the heading "United States Taxation", insofar as such statements purport to summarize certain federal income tax laws of the United States, constitute a fair summary of the principal U.S. federal income tax consequences of an investment in the Preferred Securities.

9. The execution and delivery of the Purchase Agreement have been duly authorized by all necessary corporate action of the Company, and the Purchase Agreement has been duly executed and delivered by the Company.

10. The execution and delivery of the Registration Rights Agreement have been duly authorized by all necessary corporate action of the Company, and the Registration Rights Agreement has been duly executed and delivered by the Company and is a legal, valid, binding and enforceable agreement of the Company (except that we express no opinion with respect to Section 5 of the Registration Rights Agreement providing for indemnification and contribution).

11. Assuming the execution and delivery of the Registration Rights Agreement have been duly authorized by the Trust, and assuming the Registration Rights Agreement has been duly executed and delivered by the Trust, the Registration Rights Agreement is a legal, valid, binding and enforceable agreement of the Trust (except that we express no opinion with respect to Section 5 of the Registration Rights Agreement providing for indemnification and contribution).

12. The issuance and sale of the Preferred Securities by the Trust to the Initial Purchasers pursuant to the Purchase Agreement, the performance by the Trust and the Company of their respective obligations in the Purchase Agreement, the Indenture, the Debentures, the Guarantees, the Declaration, the Trust Securities and the Registration Rights Agreement and the application of the net proceeds of the Debentures by the Company in the manner described in the Offering Memorandum do not require any consent, approval, authorization, registration or qualification of or with any governmental authority of the United States or the State of New York, except such as may be required pursuant to the Registration Rights Agreement (but we express no opinion as to any consent, approval, authorization, registration or qualification that may be required under state securities or Blue Sky laws).

13. When the Preferred Securities, the Preferred Securities Guarantee Agreement and the Debentures are issued and delivered pursuant to the Purchase Agreement, such securities will not be of the same class (within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) as securities of the Company listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended, or quoted in a U.S. automated inter-dealer quotation system.

14. Assuming the accuracy of the representations and warranties and compliance with the agreements contained in the Purchase Agreement, and except as may be required pursuant to the Registration Rights Agreement, no registration of the Preferred Securities, the Preferred Securities Guarantee Agreement, the Debentures or the Conversion Shares under the Securities Act, and no qualification of the Declaration, the Preferred Securities Guarantee Agreement or the Indenture under the Trust Indenture Act of 1939, as amended, are required for the offer and sale of the Preferred Securities in the manner contemplated by the Purchase Agreement.

15. Neither the Company nor the Trust is an "investment company", and, based solely on a certificate of Air Partners, L.P., the Company is not a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

Insofar as the foregoing opinions relate to the valid existence and good standing of the Company, they are based solely on a certificate of good standing received from the Secretary of State of the State of Delaware and on a telephonic confirmation from such Secretary of State. Insofar as the foregoing opinions relate to the legality, validity, binding effect or enforceability of any agreement or obligation of the Company or the Trust, (a) we have assumed that each other party to such agreement or obligation has satisfied those legal requirements that are applicable to it to the extent necessary to make such agreement or obligation enforceable against it, and (b) such opinions are subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity.

The foregoing opinions are limited to the federal law of the United States of America (other than federal aviation law, as to which we express no opinion), the law of the State of New York and the General Corporation Law of the State of Delaware.

We are furnishing this opinion letter to you, as Representatives of the Initial Purchasers, solely for the benefit of the Initial Purchasers in connection with the offering of the Preferred Securities. This opinion letter is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By _____
Michael L. Ryan, a Partner

November 28, 1995

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Donaldson, Lufkin & Jenrette Securities Corporation
Smith Barney Inc.
as Representatives of the several Initial Purchasers
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Ladies and Gentlemen:

We have acted as special counsel to Continental Airlines, Inc., a Delaware corporation (the "Company"), and Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the Trust's offering of 4,500,000 convertible trust originated preferred securities (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Trust issued pursuant to an amended and restated declaration of trust dated as of November 28, 1995 by the trustees of the Trust, the Company, as trust sponsor, and the holders from time to time of undivided beneficial interests in the Trust. The Preferred Securities will be guaranteed by the Company in the manner and to the extent set forth in a Preferred Securities Guarantee Agreement dated as of November 28, 1995 executed by the Company and Wilmington Trust Company, as trustee for the benefit of the holders from time to time of the Preferred Securities. This letter is furnished pursuant to Section 7(a) of the purchase agreement dated November 21, 1995 (the "Purchase Agreement") among the Company, the Trust and the several initial purchasers named in Schedule A thereto (the "Initial Purchasers").

Because the primary purpose of our professional engagement was not to establish or confirm factual matters or financial, accounting or statistical information, and because many determinations involved in the preparation of the offering memorandum dated November 21, 1995 relating to the offering of the Preferred Securities (the "Offering Memorandum") are of a wholly or partially non-legal character or relate to legal matters outside the scope of our opinion letter to you of even date herewith, we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Memorandum (except to the extent expressly set forth in numbered paragraph 8 of our opinion letter to you of even date herewith) and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements (except as aforesaid).

However, in the course of our acting as special counsel to the Company and the Trust in connection with the Company's preparation of the Offering Memorandum, we participated in

conferences and telephone conversations with representatives of the Company, representatives of the independent public accountants for the Company, your representatives and representatives of your counsel, during which conferences and conversations the contents of the Offering Memorandum and related matters were discussed, and we reviewed certain corporate records and documents furnished to us by the Company.

Based on our participation in such conferences and conversations and our review of such records and documents as described above, our understanding of the U.S. federal securities laws and the experience we have gained in our practice thereunder, we advise you that no information has come to our attention that causes us to believe that the Offering Memorandum (except the financial statements and other financial and statistical data of a financial nature included therein, as to which we express no view), as of the date thereof or hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We are furnishing this letter to you, as Representatives of the Initial Purchasers, solely for the benefit of the Initial Purchasers in connection with the offering of the Preferred Securities. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CLEARY, GOTTlieb, STEEN & HAMILTON

By _____
Michael L. Ryan, a Partner

DRAFT

November 1995

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
CS First Boston Corporation
Donaldson, Lufkin & Jenrette Securities Corporation
Smith Barney Inc.

as Representatives of the several Initial Purchasers
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Ladies and Gentlemen:

I am the Senior Vice President and General Counsel of Continental Airlines, Inc., a Delaware corporation (the "Company"). In such capacity, I have acted as counsel to the Company in connection with an offering by Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), of convertible trust originated preferred securities with an aggregate initial offering price of \$[225,000,000] (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Trust issued pursuant to an amended and restated declaration of trust dated as of November __, 1995 (the "Declaration") by the trustees of the Trust, the Company, as trust sponsor, and the holders from time to time of undivided beneficial interests in the Trust.

This opinion letter is furnished pursuant to Section 7(b) of the purchase agreement dated November __, 1995 (the "Purchase Agreement") between the Company, the Trust and the several initial purchasers named in Schedule [A] thereto (the "Initial Purchasers"). Capitalized terms used herein without definition are defined in the Purchase Agreement and are used herein with the same meanings as therein.

In arriving at the opinions expressed herein, I or members of my legal staff have reviewed the following documents:

- (a) an executed copy of the Purchase Agreement;
- (b) the Offering Memorandum dated November __, 1995 relating to the offering of the Preferred Securities;
- (c) an executed copy of each of the Guarantee Agreements;
- (d) an executed copy of the Indenture;
- (e) an executed copy of the Declaration;
- (f) the Debentures as executed by the Company;
- (g) a specimen of the Class B Common Stock issuable upon conversion of the Debentures;
- (h) an executed copy of the Registration Rights Agreement; and
- (i) the documents delivered to you by the Company and the Trust at the closing pursuant to the Purchase Agreement, including copies of the Company's and the Subsidiaries' respective certificates of incorporation and bylaws, certified by the Secretary of State of the State of Delaware and the Secretary of the Company, respectively.

In addition, I or members of my legal staff have reviewed the originals or copies certified or otherwise identified to my or their satisfaction of all such corporate records of the Company and the Subsidiaries and such other instruments and other certificates of public officials, officers and representatives of the Company and such other persons, and I or members of my legal staff have made such investigations of law, as I deem appropriate as a basis for the opinions expressed below.

In rendering the opinions expressed below, I have assumed the authenticity of all documents submitted to me or members of my legal staff as originals and the conformity to the originals of all documents so submitted as copies. In addition, I or members of my legal staff have assumed and have not verified the accuracy as to factual matters of each document I or they have reviewed (including, without limitation, the accuracy of the representations and warranties of the Company and the Trust in the Purchase Agreement). As used herein, the phrase "to my knowledge" shall mean to my actual knowledge after reasonable investigation, but shall not be interpreted to impute to me knowledge of others.

Based on the foregoing, and subject to the further assumptions and qualification set forth below, it is my opinion that:

1. Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power to own or lease its assets and conduct its business as described in the Offering Memorandum;

2. To my knowledge, the Company and each of the Subsidiaries is duly qualified to do business as a foreign corporation and is in good standing under the laws of all other jurisdictions in the United States where the ownership or leasing of its respective assets or the conduct of its business as described in the Offering Memorandum requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect;

3. All of the issued and outstanding capital stock of each of the Subsidiaries has been duly authorized and validly issued, is fully paid and nonassessable and, except as set forth in the Offering Memorandum and except as would not have a Material Adverse Effect, is owned beneficially and of record directly or indirectly by the Company free and clear of all security interests, pledges, liens, encumbrances, equities or claims;

4. To my knowledge other than as described in the Offering Memorandum, no legal, regulatory or governmental proceedings are pending to which the Company or any of its Subsidiaries is a party or to which the assets of the Company or any of the Subsidiaries are subject which, individually or in the aggregate, would have a Material Adverse Effect;

5. To my knowledge, none of the Company or any of the Subsidiaries is, except as disclosed in the Offering Memorandum, in default (or, with notice or lapse of time or both, would be in default) in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan agreement, note, lease or other instrument to which it is a party or by which it is bound, or to which any of its respective assets is subject, or in violation of any law, statute, judgment, decree, order, rule or regulation of any domestic or foreign court with jurisdiction over the Company or any of its Subsidiaries or any of their respective assets, or other governmental or regulatory authority, agency or other body, other than such defaults or violations which, individually or in the aggregate, would not have a Material Adverse Effect; and

6. To my knowledge, the issuance, sale and delivery of the Securities, the execution, delivery and performance by the Company and the Trust of the Agreement and the Registration Rights Agreement, the filing of the Declaration with the Secretary of State of the State of Delaware, consummation by the Company and the Trust of the transactions contemplated by such documents and the application of the proceeds from the sale of the Securities as contemplated by the Offering Memorandum do not, and, at the Closing Time will not, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any assets of the Company or any of its Subsidiaries pursuant to, any material contract, indenture, mortgage, loan agreement, note, lease other instrument to which the Company or any of its Subsidiaries is a party or by which any of them is bound, or to which any of the assets of the Company or any of its Subsidiaries is subject, nor will such action result in any violation of the provisions of the

charter of the Company or any applicable law, administrative regulation or administrative or court decree.

Insofar as the foregoing opinions relate to the valid existence and good standing of the Subsidiaries, they are based solely on certificates of good standing received from the Secretary of State of the State of Delaware and on a telephonic confirmation from the office of such Secretary of State. Insofar as the foregoing opinions relate to qualification to do business of the Company and the Subsidiaries, they are based solely on certificates of foreign qualification received from the applicable Secretary of State's office, although I have made inquiry as to the jurisdictions in the United States in which the Company and its Subsidiaries conduct business.

The foregoing opinions are limited to the federal law of the United States of America, the General Corporation Law of the State of Delaware and the law of the State of Texas.

I am furnishing this opinion letter to you, as Representatives of the Initial Purchasers, solely for the benefit of the Initial Purchasers in connection with the offering of the Preferred Securities. This opinion letter is not to be used, circulated, quoted, filed with any governmental authority or otherwise referred to for any other purpose.

Very truly yours,

DRAFT

Jeffery A. Smisek
Senior Vice President and
General Counsel

November 28, 1995

(212) 701-3000

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
CS FIRST BOSTON CORPORATION
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
SMITH BARNEY INC.
c/o MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281-1305

Re: Continental Airlines Finance Trust

Ladies and Gentlemen:

This opinion is being furnished to you pursuant to Section 7(c) of the purchase agreement dated November 21, 1995 (the "Purchase Agreement") among Continental Airlines Finance Trust, a Delaware business trust (the "Trust"), Continental Airlines, Inc., a Delaware corporation ("Continental") and the initial purchasers named on Schedule A thereto (the "Initial Purchasers"). We have acted as counsel to the Initial Purchasers in connection with the transactions contemplated by (i) the Purchase Agreement, (ii) the declaration of trust dated November 17, 1995, and the amended and restated declaration of trust dated November 28, 1995 (together, the "Declaration"), in each case between Continental, the regular trustees named on the signature page thereof and Wilmington Trust Company, as trustee (the "Delaware Trustee"), (iii) the indenture dated November 28, 1995 (the "Indenture") between Continental and Wilmington Trust Company, as trustee (the "Indenture Trustee"), (iv) the registration rights agreement dated November 28, 1995 (the "Registration Rights Agreement"), among Continental, the Trust and the Initial Purchasers, (v) the preferred securities guarantee agreement dated November 28, 1995 (the "Preferred Securities Guarantee Agreement") executed by Continental and (vi) the common securities guarantee agreement dated November 28, 1995 (the "Common Securities Guarantee Agreement") executed by Continental and (vi) the common securities guarantee agreement dated November 28, 1995 (the "Common securities Guarantee Agreement") executed by Continental.

The Purchase Agreement relates to the issuance pursuant to the Declaration and the sale by the Trust to the Initial Purchasers of up to 4,175,000 8 1/2% Convertible Trust Originated Preferred Securities (the "Preferred Securities") and also contemplates the issuance and sale by the Trust to Continental of up to 160,052 of the Trust's Common Securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") and the issuance pursuant to the Indenture and the sale by Continental to the Trust of up to \$266,752,600 aggregate principal amount of Continental's 8 1/2% Convertible Subordinated Deferrable Interest Debentures due 2020 (the "Debentures" and, together with the Trust Securities and the guarantees created by the Preferred Securities Guarantee Agreement and the Common Securities Guarantee Agreement, the "Securities"). Under the terms of the Indenture, the Debentures are convertible into Class B Common Stock (the "Conversion Shares") of Continental. An offering memorandum relating to the offering of the Preferred Securities, dated November 21, 1995 (the "Offering Memorandum"), has been prepared by Continental and the Trust for the information of the Initial Purchasers and for delivery to prospective purchasers of the Preferred Securities.

Capitalized terms used herein without definition have the meanings specified in the Purchase Agreement.

We have examined the originals, photocopies or conformed copies of all such records, all such agreements and certificates of officers and representatives of the various parties to the transaction described in the Offering Memorandum and such other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examinations, we have assumed the genuineness of all signatures on original documents and the conformity to the originals of all copies submitted to us as conformed or photocopies. Based on the foregoing, we advise you that in our opinion:

1. The Purchase Agreement has been duly authorized, executed and delivered by Continental. Each of the Indentures, the Registration Rights Agreement, the Preferred Securities Guarantee Agreement and the Common Securities Guarantee Agreement has been duly authorized, executed and delivered by Continental and (assuming the due execution and delivery of each such agreement by the other parties thereto) is a legal, valid and binding agreement of Continental (except that we express no opinion as to the enforceability of Section 5 of the Registration Rights Agreement providing for indemnification and contribution).

2. The Debentures are in the form contemplated by the Indenture, have been duly authorized by Continental and, when executed and authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Trust, will be legal, valid and binding obligations of Continental.

3. The Conversion Shares have been duly authorized by Continental reserved for issuance upon conversion and, when issued in accordance with the Indenture at conversion prices at or in excess of the par value of such Conversion Shares, will be validly issued, fully paid and non-assessable.

4. The Securities, the Conversion Shares, the Declaration, the Registration Rights Agreement, the Preferred Securities Guarantee Agreement and the Indenture conform in all material respects to the descriptions thereof in the Offering Memorandum under the captions "Description of the Preferred Securities", "Description of the Guarantee", "Description of the Convertible Subordinated Debentures", "Effect of Obligations Under the Convertible Subordinated Debentures" and "Description of Capital Stock".

5. Assuming the accuracy of the representations of Continental and the Trust in Section 1 of the Purchase Agreement and your representations set forth in Section 4 of the Purchase Agreement, (i) it is not necessary in connection with the offer, sale and delivery of the Preferred Securities to the Initial Purchasers under the Purchase Agreement or in connection with the initial resale of such Preferred Securities by the Initial Purchasers in accordance with Section 4 of the Purchase Agreement to register the Preferred Securities under the Securities Act of 1933, as amended, or to qualify the Indenture, the Declaration or the Preferred Securities Guarantee Agreement under the Trust Indenture Act of 1939, as amended, it being understood that no opinion is expressed as to any subsequent resale of Preferred Securities and, (ii) neither the Trust nor Continental is required to be registered as an "investment company" under the Investment Company Act of 1940, as amended.

We have participated in conferences with officers and other representatives of Continental, representatives of the independent public accountants for Continental, representatives of counsel for the Delaware Trustee and Property Trustee and your representatives at which the contents of the Offering Memorandum and related matters were discussed and, although we are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Offering Memorandum (except to the extent stated in paragraph 4 above), on the basis of the foregoing (relying as to materiality to a large extent upon the opinions of officers and other representatives of Continental), no facts have come to our attention that lead us to believe that the Offering Memorandum as of its date contained an untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (it being understood that we have not been requested to and do not express any comment with respect to the financial statements and schedules and other financial and statistical data included or incorporated by reference in the Offering Memorandum).

In rendering this opinion, we express no opinion as to the laws of any jurisdiction other than the law of the State of New York, the General Corporation Law of the State of Delaware (the "GCL") and the federal laws of the United States of America. Insofar as the foregoing opinions relate to the legality, validity or binding effect of any agreement of Continental, such opinions are subject to applicable bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally and to general principles of equity.

This opinion is being delivered solely to the addressees of this letter and may not be referred to or relied upon by any other person or firm without our express written consent.

Very truly yours,

C" Deals #3/ConAirTr.15
JLJ/SEK 11/22/95 2:29pm

November 28, 1995

To Each of the Persons Listed
on Schedule I Hereto

Re: Continental Airlines Finance Trust

Ladies and Gentlemen:

We have acted as special Delaware counsel for Continental Airlines Finance Trust, a Delaware business trust (the "Trust"), in connection with the matters set forth herein.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated November 17, 1995 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on November 17, 1995;

(b) The Declaration of Trust of the Trust, dated as of November 17, 1995, among Continental Airlines, Inc., a Delaware corporation ("Continental") and the trustees of the Trust named therein, as amended and restated pursuant to an Amended and Restated Declaration of Trust of the Trust, dated as of November 28, 1995 (the "Declaration"), among Continental, the trustees of the Trust named therein (collectively, the "Trustees") and the holders, from time to time, of the undivided beneficial interests in the assets of the Trust;

(c) The Purchase Agreement, dated November 21, 1995 (the "Purchase Agreement"), among the Trust, Continental and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation, Donaldson, Lufkin & Jenerette Securities Corporation and Smith Barney Inc., individually and as representatives (the "Representatives") of the several initial purchasers named in Schedule A to the Purchase Agreement (the "Initial Purchasers");

(d) The Registration Rights Agreement dated November 28, 1995, among the Representatives, the Trust and Continental (the "Registration Rights Agreement");

(e) The Offering Memorandum, dated November 21, 1995 (the "Offering Memorandum"), relating to the 8-1/2% Trust Originated Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated November 28, 1995, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Declaration.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not

reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed that (i) the Declaration and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, each of the parties to the documents examined by us has been duly organized or duly formed, as the case may be, and is validly existing in good standing under the laws of the jurisdiction governing its organization or formation, (iii) each natural person who is a party to the documents examined by us has the legal capacity to execute, deliver and perform such documents, (iv) except to the extent provided in paragraph 2 below, each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) each of the parties to the documents examined by us has duly authorized, executed and delivered such documents, (vi) each Person to whom a Preferred Security is to be issued by the Trust (each, a "Holder" and collectively, the "Holders") has received an appropriate Preferred Securities Certificate for such Preferred Security, and the Trust has received payment for the Preferred Security acquired by each such Holder, in accordance with the Declaration and the Offering Memorandum and (vii) the Preferred Securities are issued and sold to the Holders in accordance with the Declaration and the Offering Memorandum. We have not participated in the preparation of the Offering Memorandum and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. Section 3801, et seq. (the "Act").

2. Under the Act and the Declaration, the Trust has the power and authority to (i) execute and deliver, and to perform its obligations under, the Purchase Agreement and the Registration Rights Agreement, (ii) issue and perform its obligations under the Preferred Securities and the Common Securities and (iii) purchase and hold the Convertible Subordinated Debentures.

3. The Preferred Securities have been duly authorized by the Declaration and will represent, subject to the qualifications set forth in paragraph 5 hereof, fully paid and nonassessable beneficial interests in the assets of the Trust and will entitle the holders thereof to the benefits of the Declaration.

4. The Common Securities have been duly authorized by the Declaration and, when issued and sold in accordance with the Declaration, will represent, subject to the qualifications set forth in paragraph 5 hereof, fully paid and nonassessable beneficial interests in the assets of the Trust.

5. The holders of the Preferred Securities and the Common Securities will be entitled to the same limitation of personal liability extended to stockholders of private

corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the holders of the Preferred Securities and the holders of the Common Securities may be obligated to make payments as set forth in the Declaration and that the holders of Common Securities are liable for all of the debts and obligations of the Trust to the extent specified in Section 10.1(b) of the Declaration.

6. Under the Act and the Declaration, the issuance of the Preferred Securities and the Common Securities is not subject to preemptive rights.

7. The issuance, sale and delivery by the Trust of the Preferred Securities and of the Common Securities, the execution and delivery by the Trust of the Purchase Agreement and the Registration Rights Agreement, the purchase by the Trust of the Convertible Subordinated Debentures and the performance by the Trust of its obligations thereunder does not (a) result in any violation of the Declaration or any Delaware statute, order, rule or regulation of any Delaware court or other Delaware governmental agency or body having jurisdiction over the Trust or any of its properties or assets, (b) require the approval of any such Delaware court or Delaware governmental agency or body, or (c) to our knowledge, without independent investigation, conflict with or result in breach or violation of any of the provisions of, or constitute a default under any contract, indenture, mortgage loan agreement, deed of trust, note, lease or other instrument to which the Trust is a party or to which any of its property or assets is subject.

8. The Purchase Agreement and the Registration Rights Agreement have been duly authorized, executed and delivered by the Trust.

9. The Declaration constitutes a valid and binding obligation of Continental and the Trustees and is enforceable against Continental and the Trustees in accordance with its terms.

The opinions expressed in paragraphs 3 and 9 above are subject to the effect upon the Declaration of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

This opinion may be relied upon by you in connection with the matters set forth herein. Otherwise, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by any other person or entity or any purpose.

Very truly yours,

EAM/JLJ/sek

Schedule I

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner
& Smith Incorporated
as Representatives of the
Initial Purchasers named in Schedule A
to the Purchase Agreement

CS First Boston Corporation

Donaldson Lufkin & Jenrette Securities Corporation

Smith Barney Inc.
as Representatives of the
Initial Purchasers named in Schedule A
to the Purchase Agreement

Continental Airlines, Inc.

Cahill Gordon & Reindel

Cleary, Gottlieb, Steen & Hamilton

"C" Deals #3/CAFT1.15
JLJ 11/22/95 2:13pm

November 28, 1995

To Each of the Parties Listed on
Schedule I Attached Hereto

Re: Continental Airlines Finance Trust

Ladies and Gentlemen:

We have acted as counsel to Wilmington Trust Company, a Delaware banking corporation ("Wilmington Trust"), in connection with the transactions contemplated by (i) the Amended and Restated Declaration of Trust, dated as of November 28, 1995 (the "Declaration"), among Continental Airlines, Inc., a Delaware corporation ("Continental"), Wilmington Trust, as Property Trustee and Delaware Trustee, the Regular Trustees named therein and the holders, from time to time, of undivided beneficial interests in the assets of Continental Airlines Finance Trust, a Delaware business trust (the "Trust"), (ii) the indenture, dated as of November __ 1995 (the "Indenture"), between Continental and Wilmington Trust, as Trustee, and (iii) the Preferred Securities Guarantee Agreement, dated as of November __, 1995 (the "Preferred Securities Guarantee") between Continental and Wilmington Trust, as Guarantee Trustee. This opinion is being furnished to you pursuant to Section 7(d) of the Purchase Agreement, dated November __, 1995 (the "Purchase Agreement"), among Continental, the Trust and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc., individually and as Representatives of the Initial Purchasers named in Schedule A to the Purchase Agreement.

Capitalized terms used herein and not otherwise defined are used as defined in the Declaration, except that reference herein to any document shall mean such document as in effect on the date hereof.

We have examined originals or copies of the Declaration, the Preferred Securities Guarantee and the Indenture. We have also examined originals or copies of such other documents and such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of Wilmington Trust as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the documents referred to in this paragraph.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. Wilmington Trust is duly incorporated and is validly existing in good standing as a banking corporation with trust powers under the laws of the State of Delaware.

2. Wilmington Trust has the power and authority to execute, deliver and perform its obligations under the Declaration, the Indenture and the Preferred Securities Guarantee.

3. Each or the Declaration, the Indenture and the Preferred Securities Guarantee has been duly authorized, executed and delivered by Wilmington Trust and the Declaration constitutes a legal, valid and binding obligation of Wilmington Trust, enforceable against Wilmington Trust, in accordance with its terms.

4. The execution, delivery and performance by Wilmington Trust of the Declaration, the Indenture and the Preferred Securities Guarantee does not conflict with or constitute a breach of the charter of by-laws of Wilmington Trust.

5. No consent, approval or authorization of, or registration with or notice to, any governmental authority or agency of the State of Delaware or the United States of America governing the banking or trust powers of Wilmington Trust is required for the execution, delivery or performance by Wilmington Trust of the Declaration, the Indenture or the Preferred Securities Guarantee.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. We are admitted to practice law in the State of Delaware and we do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of Wilmington Trust (except that we express no opinion with respect to (i) state securities or blue sky laws and (ii) federal securities laws, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, and the Investment Company Act of 1940, as amended) and we have not considered and express no opinion on the laws, rules and regulations of any other jurisdiction.

B. The foregoing opinions regarding enforceability are subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, fraudulent conveyance and similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than Wilmington Trust, of each of the Declaration, the Indenture and the Preferred Securities Guarantee and that each of such parties has the power and authority to execute, deliver and perform each such document.

D. We have assumed that all signatures on documents examined by us are genuine, that all documents submitted to us as originals are authentic, and that all documents submitted to us as copies or specimens conform with the originals, which facts we have not independently verified.

E. We express no opinion as to the nature or validity of title to any property.

F. We have not participated in the preparation of any offering materials with respect to the Securities and we assume no responsibility for their contents.

This opinion may be relied upon by you in connection with the matters set forth herein and, without our prior written consent, may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

SCHEDULE I

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner
& Smith Incorporated
as Representatives of the
Initial Purchasers named in Schedule A
to the Purchase Agreement

CS First Boston Corporation

Donaldson Lufkin & Jenrette Securities Corporation

Smith Barney Inc.
as Representatives of the
Initial Purchasers named in Schedule A
to the Purchase Agreement

Continental Airlines, Inc.

Cahill Gordon & Reindel

Cleary, Gottlieb, Steen & Hamilton

November 28, 1995

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019-4607

Re: 4,500,000 8 1/2% Convertible Trust Originated Preferred Securities SM (the "Preferred Securities") of Continental Airlines Finance Trust

Ladies and Gentlemen:

We have acted as special counsel to Continental Airlines, Inc., a Delaware corporation (the "Company"), and Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the Trust's offering of the Preferred Securities representing preferred undivided beneficial interests in the assets of the Trust. This opinion letter is furnished pursuant to Section 7(e) of the purchase agreement dated November 21, 1995 (the "Purchase Agreement") among the Company, the Trust and the several initial purchasers named in Schedule A thereto (the "Initial Purchasers"). Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Purchase Agreement.

In arriving at the opinions expressed below, we have examined and relied upon the originals or copies, certified or otherwise identified to our satisfaction, of the declaration of trust of the Trust dated as of November 17, 1995 (the "Declaration of Trust"), the amended and restated declaration of trust of the Trust dated as of November 28, 1995 (the "Amended and Restated Declaration of Trust") and the Indenture, and of such records, documents, instruments and certificates, and we have made such investigations of law, as we have deemed appropriate as a basis for the opinions expressed below. We have assumed and have not verified that the signatures on all documents that we have examined are genuine and that each person signing each such document was duly authorized to sign such document on behalf of the person or entity purported to be bound thereby. In addition, for purposes of rendering the opinions expressed below, we have assumed, without investigation on our part, that the Declaration of Trust, the Amended and Restated Declaration of Trust and the Indenture have been duly authorized and validly executed and delivered by the Company, the Trust and the Trustees and are legal, valid, binding and enforceable instruments of the Company, the Trust and the Trustees.

Based on the foregoing, we are of the opinion that:

- (i) The Trust will be characterized as a grantor trust for U.S. federal income tax purposes and not as a partnership or as an association subject to tax as a corporation; and
- (ii) The Convertible Subordinated Debentures will constitute indebtedness of the Company.

The opinions expressed above are based on the Internal Revenue Code of 1986, as amended and other laws and regulations, rulings and decisions in effect on the date hereof, all of which are subject to change (which change could apply retroactively).

We are furnishing this opinion letter to you solely for your benefit, and this opinion letter may not be used, circulated, quoted or otherwise referred to by you for any other purpose without our consent. We hereby consent to your provision of this opinion letter to the Initial Purchasers and to the Initial Purchasers' and your reliance on this opinion letter.

We note that this opinion letter speaks only as of the date hereof, and we assume no obligation to update this opinion letter.

Very truly yours,

By: _____
Dana L. Trier, a Partner

=====

AMENDMENT TO THE
AMENDED AND RESTATED DECLARATION OF TRUST

CONTINENTAL AIRLINES FINANCE TRUST

Dated as of May 9, 1996

=====

AMENDMENT made as of May 9, 1996 by the undersigned Regular Trustees, to the AMENDED AND RESTATED DECLARATION OF TRUST of Continental Airlines Finance Trust dated and effective as of November 28, 1996 (as modified, supplemented or amended from time to time, the "Declaration"; capitalized terms used but not defined herein shall have the meanings given to them in the Declaration) by the Trustees signatories thereto, Continental Airlines, Inc., a Delaware corporation, as Sponsor, and by the holders, from time to time, of undivided beneficial interests in the Trust issued pursuant to the Declaration;

WHEREAS, the Trustees and the Sponsor established the Trust under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of November 17, 1995, as amended and restated pursuant to an Amended and Restated Declaration of Trust dated as of November 28, 1995, and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 17, 1995, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

WHEREAS, pursuant to Section 12.1(a)(i) of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995, the Regular Trustees wish to amend the Declaration in order to provide for a regular record date for the Preferred Securities of fifteen (15) days prior to the relevant payment date;

NOW THEREFORE, it being the intention of the Regular Trustees to continue the Trust as a business trust under the Business Trust Act and that the Declaration, as amended by this Amendment, constitute the governing instrument of such business trust, the Regular Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests under the Declaration, subject to the provisions of the Declaration, and, in consideration of the premises and mutual covenants herein contained, the Regular Trustees agree to amend the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995 as follows:

1. Section 2(c) of Annex I of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995 is hereby amended by deleting the third sentence thereof on page I-3 and adding the following sentence as the third sentence thereof:

"Subject to any applicable laws and regulations and the provisions of the Declaration, the relevant record date in respect of Preferred Securities being held in book-entry form through The Depository Trust Company (the

"Depository") will be fifteen (15) days prior to the relevant payment dates, and each such payment will be made as described under the heading "Description of the Preferred Securities -- Book-entry only issuance -- The Depository Trust Company" in the Offering Memorandum."

2. Exhibit A-1 of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995 is hereby amended by deleting the first sentence of the second paragraph on the form of reverse of the Preferred Security on page A1-6 and adding the following sentence as the first sentence thereof:

"Except as otherwise described below and in the Declaration, distributions on the Preferred Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 1996, to Holders of record fifteen (15) days prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures."

3. Exhibit A-2 of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995 is hereby amended by deleting the first sentence of the second paragraph on the form of reverse of the Exchanged Preferred Security on page A2-4 and adding the following sentence as the first sentence thereof:

"Except as otherwise described below and in the Declaration, distributions on the Preferred Securities will be cumulative, will accrue from the date of original issuance and will be payable quarterly in arrears, on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 1996, to Holders of record fifteen (15) days prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures."

4. This Amendment shall become effective when executed by each of the Regular Trustees. Upon the execution of this Amendment, the Declaration shall be modified in accordance herewith, and this Amendment shall form a part of the Declaration for all purposes; and every Holder of Securities heretofore or hereafter authenticated and delivered under the Declaration shall be bound hereby and thereby. Except as expressly amended hereby, the Declaration shall continue to be and shall remain in full force and effect.

5. Securities authenticated and delivered after the execution of this Amendment may, but need not, bear a notation in form approved by the Property Trustee as to any matter provided for in this Amendment. If the Regular Trustees shall so determine, new Securities so modified as to conform, in the opinion of the Property Trustee and the Regular Trustees, to this Amendment may be prepared and executed by the Trust and authenticated and delivered by the Property Trustee in exchange for outstanding Securities.

6. Unless the context otherwise requires, all references in the Declaration to Articles and Sections and Exhibits and the Annex are to Articles and Sections of, and Exhibits and the Annex to, the Declaration, as amended hereby, unless otherwise specified.

7. In accordance with Section 12.1(b)(i) of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995, each of the Trust and the Sponsor has delivered to the Property Trustee an Officers' Certificate stating that this Amendment is permitted by, and conforms to, the terms of the Amended and Restated Declaration of Trust dated and effective as of November 28, 1995 (including the terms of the Securities).

8. Governing Law. This Amendment and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed as of the day and year first above written.

Lawrence W. Kellner,
as Regular Trustee

Jeffery A. Smisek,
as Regular Trustee

CONTINENTAL AIRLINES, INC.

TO

WILMINGTON TRUST COMPANY,
not in its individual capacity,
but solely as Trustee

EXHIBIT 4.4

Indenture

Dated as of November 28, 1995

\$231,958,750

(subject to increase to up to \$266,752,600 in
the event an overallotment option is exercised)

8 1/2% Convertible Subordinated
Deferrable Interest Debentures Due 2020

Continental Airlines, Inc.

Certain Sections of this Indenture relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture
Indenture
Act Section

Section

| | |
|-------------------|-----------|
| Section 310(a)(1) | 609 |
| (a)(2) | 609 |
| (a)(3) | Not |
| Applicable | |
| (a)(4) | Not |
| Applicable | |
| (b) | 608, 610 |
| Section 311(a) | 613 |
| (b) | 613 |
| Section 312(a) | 701 |
| (b) | 702(a) |
| (c) | 702(b) |
| (c) | 702(c) |
| Section 313(a) | 703(a) |
| (a)(4) | 101, 1004 |
| (b) | 703(a) |
| (c) | 703(a) |
| (d) | 703(b) |
| Section 314(a) | 704 |
| (b) | Not |
| Applicable | |
| (c)(1) | 102 |
| (c)(2) | 102 |

| | | |
|-------------------|-----------|--------|
| (c)(3) | | Not |
| Applicable | | |
| (d) | | Not |
| Applicable | | |
| (e) | | 102 |
| Section 315(a) | | 601 |
| (b) | | 602 |
| (c) | | 601 |
| (d) | | 601 |
| (e) | | 514 |
| Section 316(a) | | 101 |
| (a)(1)(A) | | 502 |
| | | 512 |
| (a)(1)(B) | | 513 |
| (a)(2) | | Not |
| Applicable | | |
| (b) | | 508 |
| (c) | | 104(c) |
| Section 317(a)(1) | | 503 |
| (a)(2) | | 504 |
| (b) | | 1003 |
| Section 318(a) | | 107 |

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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EXHIBIT A-1 Form of the Security

EXHIBIT A-2 Form of the Exchange Security

ANNEX A Form of Amended and Restated Declaration of Trust among the Company, as Sponsor, Wilmington Trust Company, as Delaware Trustee, and Lawrence W. Kellner and Jeffery A. Smisek, each as Regular Trustees, dated as of November 28, 1995.

Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

INDENTURE, dated as of November 28, 1995, between Continental Airlines, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called "Continental" or the "Company"), having its principal office at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and Wilmington Trust Company, not in its individual capacity but solely as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, Continental Airlines Finance Trust, a Delaware business trust (the "Trust") formed under the Amended and Restated Declaration of Trust among the Company, as Sponsor, Wilmington Trust Company, not in its individual capacity but solely in its capacities as property trustee (the "Property Trustee") and Delaware trustee (the "Delaware Trustee"), and Lawrence W. Kellner and Jeffery A. Smisek, as trustees (the "Regular Trustees"), dated as of November 28, 1995 (the "Declaration"), pursuant to the Purchase Agreement (the "Purchase Agreement") dated November 21, 1995, among the Company, the Trust and the Initial Purchasers named therein, will issue and sell 4,500,000 (or up to 5,175,000 if the overallotment option granted to the Initial Purchasers is exercised in full) of its 8 1/2% Convertible Trust Originated Preferred Securities SM (the "Preferred Securities"), with a liquidation amount of \$50 per Preferred Security and having an aggregate liquidation amount with respect to the assets of the Trust of \$225,000,000 (or up to \$258,750,000 if the overallotment option is exercised in full);

WHEREAS, the trustees of the Trust, on behalf of the Trust, will execute and deliver to the Company common securities evidencing an ownership interest in the Trust (the "Common Securities"), registered in the name of the Company, in an aggregate amount equal to approximately three percent (3%) of the capitalization of the Trust, equivalent to 139,175 Common Securities (or up to 160,052 Common Securities if the overallotment option is exercised in full), with a liquidation amount of \$50 per Common Security and having an aggregate liquidation amount with respect to the assets of the Trust of \$6,958,750 (or up to \$8,002,600 if the overallotment option is exercised in full);

WHEREAS, the Trust will use the proceeds from the sale of the Preferred Securities and the Common Securities to purchase, from the Company, Securities (as defined below) in an aggregate principal amount of \$231,958,750 (or up to \$266,752,600 if the overallotment option is exercised in full);

WHEREAS, the Company is guaranteeing the payment of all distributions (including Additional Interest, Compounded Interest and Liquidated Damages, if any) on the Preferred Securities, payment of the Redemption Price, as applicable, and payments on liquidation with respect to the Preferred Securities, to the extent provided in the Preferred Securities Guarantee Agreement (the "Guarantee") between the Company and Wilmington Trust Company, not in its individual capacity but solely in its capacity as guarantee trustee, for the benefit of the holders from time to time of the Preferred Securities;

WHEREAS, the Company has duly authorized the creation of an issue of its 8 1/2% Convertible Subordinated Deferrable Interest Debentures Due 2020 (the "Securities") of substantially the tenor and amount hereinafter set forth and, to provide therefor, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, so long as the Trust is a Holder of Securities, and any Preferred Securities are outstanding, the Declaration provides that the holders of Preferred Securities may cause the Conversion Agent to (a) exchange such Preferred Securities for Securities held by the Trust and (b) immediately convert such Securities into Class B Common Stock of Continental;

WHEREAS, all things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions of General Application

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section, Clause or other subdivision.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Additional Interest" has the meaning specified in Section 301.

"Additional Payments" means Compounded Interest, Additional Interest and Liquidated Damages, if any.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than a Saturday or a Sunday or a day on which banking institutions in The City of New York or Wilmington, Delaware are authorized or required by law or executive order to remain closed.

"Class B Common Stock" means the Class B Common Stock, \$.01 par value per share, of the Company.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing

the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities" has the meaning specified in the Recitals to this Instrument.

"Common Stock" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Article Thirteen, shares issuable on conversion of Securities shall include only shares of the class designated as Class B Common Stock of the Company at the date of this instrument or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which are not subject to redemption by the Company; provided, that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable on conversion shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Compounded Interest" has the meaning specified in Section 312.

"Conversion Agent" means the Person or Persons appointed to act on behalf of the holders of Preferred Securities and/or on behalf of the holders of Common Securities in effecting the conversion of Preferred Securities and/or Common Securities as and in the manner set forth in the Declaration and Section 1302 hereof.

"Conversion Date" has the meaning specified in Section 1302.

"Corporate Trust Office" means the principal office of Wilmington Trust Company at which at any particular time its corporate trust business shall be administered and which at the date of this Indenture is at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890, Attention: Corporate Trust Administration.

"Current Market Price" has the meaning specified in Section 1303(vi).

"Declaration" has the meaning specified in the Recitals to this instrument.

"Defaulted Interest" has the meaning specified in Section 307.

"Delaware Trustee" has the meaning specified in the Recitals to this instrument.

"Designated Senior Indebtedness" means (i) all Senior Indebtedness of the Company outstanding from time to time under agreements between the Company, on the one hand, and General Electric Company, General Electric Capital Corporation, any of their respective direct or indirect subsidiaries, or any affiliates (as such term is defined in Rule 12b-2 under the Exchange Act) of any of the foregoing (each of which is a "GE Party") or any trust of which any GE Party is a beneficiary, on the other hand, in effect on the original issue date of the Securities, and

any renewal, refunding, replacement or extension thereof and (ii) any Senior Indebtedness of the Company incurred, issued or assumed after the original issue date of the Securities, and any renewal, refunding, replacement or extension thereof.

"Event of Default" has the meaning specified in Section 501.

"Exchanged Securities" means the 8 1/2% Convertible Subordinated Deferrable Interest Debentures Due 2020 to be issued in connection with sales of such Securities pursuant to an effective Shelf Registration Statement.

"Extended Interest Payment Period" has the meaning specified in Section 312.

"Guarantee" has the meaning specified in the Recitals to this instrument.

"Holder" means a Person in whose name a Security is registered in the Security Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Initial Purchasers", with respect to the Preferred Securities, means Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation, Smith Barney Inc., BT Securities Corporation, PaineWebber Incorporated and S.G. Warburg & Co. Inc.

"Interest Payment Date" has the meaning specified in Section 301.

"Investment Company Event" has the meaning specified in the Declaration.

"Liquidated Damages" has the meaning specified in Section 1007.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"90 Day Period" has the meaning specified in Section 1110.

"No Recognition Opinion" has the meaning specified in the Declaration.

"Notice of Conversion" means the notice to be given by a holder of Preferred Securities or Common Securities to the Conversion Agent directing the Conversion Agent to exchange such Preferred Securities or Common Securities for Securities and to convert such Securities into Class B Common Stock on behalf of such holder.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

One of the officers signing an Officers' Certificate given pursuant to Section 1004 shall be the principal executive, financial or accounting officer of the Company.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be reasonably acceptable to the Trustee.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and (iii) Securities which have been paid pursuant to Section 306, converted into Class B Common Stock pursuant to Section 1301, or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of or interest on any Securities on behalf of the Company.

"Person" means any individual, corporation, company, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Preferred Securities" has the meaning specified in the Recitals to this instrument.

"Property Trustee" has the meaning specified in the Recitals to this instrument.

"Purchase Agreement" has the meaning specified in the Recitals to this instrument.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Redemption Tax Opinion" has the meaning specified in the Declaration.

"Reference Date" has the meaning specified in Section 1303(iv).

"Registration Rights Agreement" has the meaning specified in Section 1007.

"Regular Record Date" has the meaning specified in Section 301.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, any assistant vice president, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Securities Legend" has the meaning specified in Section 202.

"Securities" has the meaning specified in the Recitals to this instrument.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Senior Indebtedness" means, with respect to the Company, (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Securities and (2) any indebtedness between or among such obligor or its Affiliates, including all other debt securities and guarantees in respect of those debt securities, initially issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company (a "Financing Entity") in connection with the issuance by such Financing Entity of preferred securities or other securities that rank pari passu with or junior to the Preferred Securities.

"Shelf Registration Statement" has the meaning specified in Section 1007.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of interest thereon, means the date specified in such Security as the fixed date on which the principal, together with any accrued and unpaid interest (including Compounded Interest), of such Security or such installment of interest is due and payable.

"Subsidiary" of any Person means (i) a corporation more than 50% of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Tax Event" has the meaning specified in the Declaration.

"Trading Day" means a day on which Common Stock is traded on the national securities exchange or the quotation system used to determine the Current Market Price.

"Trust" has the meaning specified in the Recitals to this instrument.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was

executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Securities" means Common Securities and Preferred Securities.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" of any Person means capital stock of such Person which ordinarily has voting power for the election of directors (or Persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act or reasonably requested by the Trustee in connection with such application or request. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the applicable requirements of the Trust Indenture Act and any other applicable requirement set forth in this Indenture.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and

(subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee or the Company, as the case may be, deems sufficient.

(c) The Company may, in the circumstances permitted by the Trust Indenture Act, fix any day as the record date for the purpose of determining the Holders entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or to vote on any action, authorized or permitted to be given or taken by Holders. If not set by the Company prior to the first solicitation of a Holder made by any Person in respect of any such action, or, in the case of any such vote, prior to such vote, the record date for any such action or vote shall be the 30th day (or, if later, the date of the most recent list of Holders required to be provided pursuant to Section 701) prior to such first solicitation or vote, as the case may be. With regard to any record date, only the Holders on such date (or their duly designated proxies) shall be entitled to give or take, or vote on, the relevant action.

(d) The ownership of Securities shall be proved by the Security Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, Etc., to Trustee and the Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Trustee Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner,

such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be a part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the holders of Senior Indebtedness, the holders of Preferred Securities (to the extent provided herein) and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security or the last date on which a Holder has the right to convert his Securities shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal or conversion of the Securities need not be made on such date, but may be made on the next succeeding Business Day (except that, if such Business Day is in the next succeeding calendar year, such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, shall be the immediately preceding Business Day) with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity or on such last day for conversion, provided, that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

ARTICLE TWO

Security Forms

SECTION 201. Forms Generally.

The Securities and the Trustee's certificates of authentication shall be substantially in the form of Exhibit A-1 which is hereby incorporated in and expressly made a part of this Indenture. The Exchanged Securities and the Trustee's certificates of authentication shall be substantially in the form of Exhibit A-2, which is hereby incorporated by reference and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). The Company shall furnish any such legend not contained in Exhibit A-1 to the Trustee in writing. Each Security shall be dated the date of its authentication. The terms and provisions of the Securities set forth in Exhibits A-1 and A-2 are part of the terms of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

The definitive Securities shall be typewritten or printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as conclusively evidenced by their execution of such Securities.

SECTION 202. Initial Issuance to Property Trustee.

The Securities initially issued to the Property Trustee of the Trust shall be in the form of one or more individual certificates in definitive, fully registered form without distribution coupons and shall bear the Restricted Securities Legend set forth in Exhibit A-1 unless the Company determines otherwise in accordance with applicable law.

ARTICLE THREE

The Securities

SECTION 301. Title and Terms.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is limited to the sum of (a) \$231,958,750 and (b) such aggregate principal amount (which may not exceed \$34,793,850 aggregate principal amount) of Securities, if any, as shall be purchased by the Trust pursuant to an over-allotment option in accordance with the terms and provisions of the Purchase Agreement, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906, 1108 or 1301.

The Securities shall be known and designated as the "8 1/2% Convertible Subordinated Deferrable Interest Debentures Due 2020" of the Company. Their Stated Maturity shall be December 1, 2020, and they shall bear interest at the rate of 8 1/2% per annum, from November 28, 1995 or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for, as the case may be, payable quarterly (subject to deferral as set forth herein), in arrears, on March 1, June 1, September 1 and December 1 (each an "Interest Payment Date") of each year, commencing March 1, 1996, until the principal thereof is paid or made available for payment, and they shall be paid to the Person in whose name the Security is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the Business Day next preceding each Interest Payment Date (the "Regular Record Date"). In the event the Securities are not held solely by the Trust or are not in book-entry only form, the Regular Record Date shall be the date that is 15 calendar days prior to the Interest Payment Date. Interest will compound quarterly and will accrue at the rate of 8 1/2% per annum on any interest installment in arrears for more than one quarter or during an extension of an interest payment period as set forth in Section 312 hereof.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed in such a 30-day month. In the event that any date on which interest is payable on the Securities is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

If at any time while the Property Trustee is the Holder of any Securities, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any case, the Company will pay as additional interest ("Additional Interest") on the Securities held by the Property Trustee, such additional amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other government charges been imposed.

The principal of and interest on the Securities shall be payable at the office or agency of the Company in the United States maintained for such purpose and at any other office or agency maintained by the Company for such purpose in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

The Securities shall be redeemable as provided in Article Eleven hereof.

The Securities shall be subordinated in right of payment to Senior Indebtedness as provided in Article Twelve hereof.

The Securities shall be convertible as provided in Article Thirteen hereof.

SECTION 302. Denominations.

The Securities shall be issuable only in registered form without coupons and only in denominations of \$50 and integral multiples thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and make available for delivery such Securities as in this Indenture provided and not otherwise.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

SECTION 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and make available for delivery in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 305. Registration, Registration of Transfer and Exchange.

(a) General.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906, 1108 or 1301 not involving any transfer.

The Company shall not be required (i) in the case of a partial redemption of the Securities, to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 1104 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

(b) Transfer Procedures and Restrictions.

The Securities may not be transferred except in compliance with the Restricted Securities Legend, unless otherwise determined by the Company in accordance with applicable law. Upon any distribution of the Securities to the holders of the Preferred Securities in accordance with the Declaration, the Company and the Trustee shall enter into a supplemental indenture pursuant to Section 901(6) to provide for transfer procedures and restrictions with respect to the Securities substantially similar to those contained in the Declaration to the extent applicable in the circumstances existing at the time of such distribution.

SECTION 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or

one or more Predecessor Securities) is registered at the close of business on the Regular Record Date.

Any interest on any Security which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and, if so listed, upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue (including in each such case Compounded Interest), which were carried by such other Security.

In the case of any Security which is converted after any Regular Record Date and on or prior to the next succeeding Interest Payment Date (other than any Security whose Maturity is prior to such Interest Payment Date), interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on such Regular Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security that is converted, interest whose Stated Maturity is after the date of conversion of such Security shall not be payable, and the Company shall not make nor be required to make any other payment, adjustment or allowance with respect to accrued but unpaid interest (including Additional Payments, if any) on the Securities being converted, which shall be deemed to be paid in full.

SECTION 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 307) interest (including Additional Payments, if any) on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or conversion shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order; provided, however, that the Trustee shall not be required to destroy the certificates representing such cancelled Securities.

SECTION 310. Right of Setoff.

Notwithstanding anything to the contrary in this Indenture, the Company shall have the right to set off any payment it is otherwise required to make hereunder to the extent the Company has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

SECTION 311. CUSIP Numbers.

At any time when the Securities are not held solely by the Trust, the Company shall obtain and use "CUSIP" numbers, and the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

SECTION 312. Extension of Interest Payment Period; Notice of Extension.

(a) The Company shall have the right, at any time and from time to time during the term of the Securities, to defer payments of interest (including Additional Payments, if any) by extending any interest payment period for successive periods not exceeding 20 consecutive quarters for each such period (an "Extended Interest Payment Period"). To the extent permitted by applicable law, interest the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 312 will bear interest at the per annum rate specified in Section 301 compounded quarterly for each quarter of the Extended Interest Payment Period, to the extent permitted by applicable law ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Company shall pay all interest then accrued and unpaid on the Securities, including any Additional Payments, that shall be payable to the Holders of the Securities in whose names the Securities are registered in the Security Register on the first Regular Record Date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any Extended Interest Payment Period and upon the payment of all Additional Payments then due, the Company may commence a new Extended Payment Period, subject to the foregoing requirements. No interest shall be due and

payable during an Extended Interest Payment Period except at the end thereof.

(b) If the Property Trustee is the sole Holder of the Securities, the Company shall give the Holder of the Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least one Business Day prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Preferred Securities of the record date or the date such distributions are payable.

(c) If the Property Trustee is not the sole holder of the Securities, the Company shall give the Holders of the Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least ten Business Days prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Securities of the record date or the date such distributions are payable.

(d) The quarter in which any notice is given pursuant to paragraphs (b) and (c) hereof shall be counted as one of the 20 quarters permitted in the maximum Extended Interest Payment Period permitted under paragraph (a) hereof.

SECTION 313. Paying Agent, Security Registrar and Conversion Agent.

The Trustee will initially act as Paying Agent, Security Registrar and Conversion Agent. The Company may change any Paying Agent, Security Registrar, co-registrar or Conversion Agent without prior notice. The Company or any of its Affiliates may act in any such capacity.

ARTICLE FOUR

Satisfaction and Discharge

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306 and (ii) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee

in the name, and at the expense, of the Company

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest (including Compounded Interest, Additional Interest and Liquidated Damages, if any) to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money has been deposited with the Trustee. All moneys deposited with the Trustee pursuant to Section 401 (and held by it or any Paying Agent) for the payment of Securities subsequently converted shall be returned to the Company upon Company Request.

ARTICLE FIVE

Remedies

SECTION 501. Events of Default.

"Event of Default," wherever used herein, means any one of the following events that has occurred and is continuing (whatever the reason for such Event of Default and whether it shall be occasioned by the provisions of Article Twelve or be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of the principal of (or premium, if any, on) any Security when due whether at Maturity, upon redemption, by declaration or otherwise; or

(2) default in the payment of any interest upon any Security, including any Compounded Interest, Additional Interest and Liquidated Damages in respect thereof, when it becomes due and payable, and continuance of such default for a period of 30 days; provided, that a valid extension of the interest payment period by the Company pursuant to this Indenture shall not constitute a default in the payment of any interest (including any Additional Payments) for this purpose; or

(3) failure by the Company to issue and deliver Class B Common Stock upon an election to convert the Securities into Class B Common Stock; or

(4) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a default that is specifically provided for elsewhere in this Section), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(6) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of itself in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by the Company to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of substantially all of the property of the Company, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) the voluntary or involuntary dissolution, winding up or termination of the Trust, except in connection with (i) the distribution of Securities to holders of Preferred Securities in liquidation or redemption of their interests in the Trust,

(ii) the redemption of all of the outstanding Preferred Securities of the Trust or
(iii) certain mergers, consolidations or amalgamations, each as permitted by the Declaration.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities may declare the principal of all the Securities and any other amounts payable hereunder (including any Additional Payments) to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal and all accrued interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Article hereinafter, the Holders of a majority in aggregate principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest (including any Additional Payments) on all Securities,

(B) the principal of any Securities which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest (including any Additional Payments) on any Security when such interest becomes due and payable and such default continues for a period of 30 days (provided that a valid extension of the interest payment period by the Company pursuant to this Indenture shall not constitute a default in the payment of any interest (including any Additional Payments) for this purpose), or

(2) default is made in the payment of the principal of any Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest (including any Additional Payments) and, to the extent that payment thereof shall be legally enforceable, interest on any overdue principal and on any overdue interest (including any Additional Interest or Liquidated Damages), at the rate borne by the Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collec-

tion, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Subject to Article Twelve, any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest (including any Additional Payments), upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid for principal of and interest (including any Additional Payments) on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal and interest (including any Compounded Interest), respectively.

SECTION 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to

this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 508. Unconditional Right of Holders to Receive Principal and Interest and to Convert.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and (subject to Section 307) interest (including any Additional Payments) on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to convert such Security in accordance with Article Thirteen and to institute suit for the enforcement of any such payment and right to convert, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or consti-

tute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

The Holders of a majority in aggregate principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; provided, that

(1) such direction shall not be in conflict with any rule of law or with this Indenture; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Section 902 hereof, the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of, premium, if any, or interest (including any Additional Payments) on any Security (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Trustee); or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; provided, that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee or in any suit for the enforcement of the right to receive the principal of and interest (including any Additional Payments) on any Security or to convert any Security in accordance with Article Thirteen.

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 516. Enforcement by Holders of Preferred Securities.

Notwithstanding anything to the contrary contained herein, if the Property Trustee fails to enforce its rights under

the Securities for a period of 30 days after any holder of Preferred Securities shall have made a written request to the Property Trustee to enforce such rights, such holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights, as Holder of the Securities, without first instituting any legal proceeding against the Property Trustee or any other Person.

ARTICLE SIX

The Trustee

SECTION 601. Certain Duties and Responsibilities.

The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 602. Notice of Defaults.

The Trustee shall give the Holders notice of any default hereunder as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default of the character specified in Section 501(4), no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to reasonable examination of the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with the prior written consent of the Company and with due care by it hereunder; and

(h) the Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, unless it shall be proven that the Trustee was negligent in ascertaining the pertinent facts.

SECTION 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of the Securities or the proceeds thereof.

SECTION 605. May Hold Securities.

The Trustee, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar, or such other agent.

SECTION 606. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder;

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee, its agents and counsel and any predecessor Trustee for, and to hold it harmless against, any loss, liability or expense in-

curred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

SECTION 608. Disqualification; Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities, delivered to the Trustee and to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company may remove the Trustee, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106.

Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; provided, that on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder. Upon request of any such successor Trustee, the Company shall execute any and all instruments required to more fully and certainly vest in and confirm to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

SECTION 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee

(a) semiannually, not later than February 15 and August 15 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of a date not more than 15 days prior to the delivery thereof, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

SECTION 703. Reports by Trustee.

(a) Within 60 days after May 15 of each year, commencing May 15, 1996, the Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company will notify the Trustee when the Securities are listed on any stock exchange.

SECTION 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided, that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge with or into any other Person or, directly or indirectly, convey, transfer or lease all or substantially all of its properties and assets on a consolidated basis to any Person, unless:

(1) in case the Company shall consolidate with or merge with or into another Person or convey, transfer or lease all or substantially all of its properties and assets on a consolidated basis to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease, all or substantially all of the properties and assets of the Company on a consolidated basis shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest (including any Additional Payments) on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed and shall have provided for conversion rights in accordance with Article Thirteen;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or a Subsidiary as a result of such transaction as having been incurred by the Company or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) such consolidation or merger or conveyance, transfer or lease of assets of the Company is permitted under, and does not give rise to any breach or violation of, the Declaration or the Guarantee; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. Successor Substituted.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of all or substantially all the properties and assets of the Company on a consolidated basis in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE NINE

Supplemental Indentures

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to make provision with respect to the conversion rights of Holders pursuant to the requirements of Article Thirteen; or

(4) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture; provided, that such action pursuant to this clause (4) shall not adversely affect the interests of the Holders of the Securities or, so long as any of the Preferred Securities shall remain outstanding, the holders of the Preferred Securities; or

(5) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act; or

(6) to make provision for transfer procedures, certification, book-entry provisions, the form of restricted securities legends, if any, to be placed on Securities, and all other matters required pursuant to Section 305(b) or otherwise necessary, desirable or appropriate in connection with the issuance of Securities to holders of Preferred Securities in the event of a distribution of Securities by the Trust if a Special Event occurs and is continuing; or

(7) to comply with the requirements of the New York Stock Exchange or such other national securities exchange or automated quotation system, if any, on which the Securities are then listed.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) extend the Stated Maturity of the principal of, or (except as permitted by Section 312) any installment of interest (including any Additional Payments) on, any Security, or reduce the principal amount thereof, or reduce the rate or (except as permitted by Section 312) extend the time for payment of interest thereon, or reduce any premium payable upon the redemption thereof, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or adversely affect the right to convert any Security as provided in Article Thirteen (except as permitted by Section 901(3)), or modify the provisions of this

Indenture with respect to the subordination of the Securities in a manner adverse to the Holders,

(2) reduce the percentage in aggregate principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section or Section 513, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby;

provided, that so long as any of the Preferred Securities remains outstanding, no waiver of any Event of Default shall be effective, without the prior consent of the holders of at least 66-2/3% of the aggregate liquidation amount of the outstanding Preferred Securities.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 90 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. No such supplemental indenture shall directly or indirectly modify the provisions of Article Twelve in any manner which might terminate or impair the rights of the Senior Indebtedness pursuant to such subordination provisions.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine,

new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE TEN

Covenants; Representations and Warranties

SECTION 1001. Payment of Principal and Interest.

The Company will duly and punctually pay the principal of and interest (including any Additional Payments) on the Securities when due in accordance with the terms of the Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in the United States an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies (in the United States) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the United States for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. Money for Security Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the principal of or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the

Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or interest on any Security and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of any such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease.

SECTION 1004. Statement by Officers as to Default.

The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance and observance of any of the material terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and, if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

SECTION 1005. Limitation on Dividends; Covenants as to the Trust.

(a) The Company covenants that the Company shall not so long as any Securities remain outstanding, (i) declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock, except for dividends or distributions of the Company's capital stock of the same class as that on which such dividend or distribution is being paid and conversions or exchanges of Common Stock of one class into Common Stock of another class of the Company, or (ii) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Company that rank pari passu with or junior to the Securities (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries), in each case if at such time (i) there shall have occurred and be continuing any event that with the giving of notice or the lapse of time or both, would constitute an Event of Default hereunder, (ii) the Company shall be in default with respect to its payment of any obligations under the Guarantee or (iii) the Company shall have given notice of its selection of an Extended Interest Payment Period as provided herein and such period, or any extension thereof, shall be continuing.

(b) The Company also covenants and agrees (i) that it shall directly or indirectly maintain 100% ownership of the Common Securities of the Trust; provided, however, that any permitted successor of the Company hereunder may succeed to the Company's ownership of such Common Securities and (ii) that it shall use its reasonable efforts, consistent with the terms and provisions of the Declaration, to cause the Trust (x) to remain a statutory business trust, except in connection with the distribution of the Securities to the holders of Trust Securities in liquidation of the Trust, the redemption of all of the Trust Securities of the Trust, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration, and (y) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

SECTION 1006. Payment of Expenses of the Trust.

In connection with the offering, sale and issuance of the Securities to the Property Trustee in connection with the sale of the Trust Securities by the Trust, the Company shall:

(a) pay for all costs and expenses relating to the offering, sale and issuance of the Securities, including commis-

sions to the Initial Purchasers payable pursuant to the Purchase Agreement and compensation of the Trustee in accordance with the provisions of Section 607;

(b) be responsible for and pay for all debts and obligations (other than with respect to the Trust Securities) of the Trust, pay for all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization of the Trust, the offering, sale and issuance of the Trust Securities, the fees and expenses of the Property Trustee and the Delaware Trustee, the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets); and

(c) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

SECTION 1007. Registration Rights.

The holders of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock issuable upon conversion thereof are entitled to the benefits of a Registration Rights Agreement, dated as of November 28, 1995, among the Trust, the Company and the Initial Purchasers (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Trust and the Company have agreed for the benefit of the holders from time to time of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock issuable upon conversion thereof that they will, at the Company's expense, (i) within 180 days after the date of issuance of the Preferred Securities, file a shelf registration statement (the "Shelf Registration Statement") with the Commission with respect to resales of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock issuable upon conversion thereof, (ii) within 60 days after the date on which the Shelf Registration Statement is filed, use their best efforts to cause such Shelf Registration Statement to be declared effective by the Commission and (iii) use their best efforts to maintain such Shelf Registration Statement continuously effective under the Securities Act of 1933, as amended, until the third anniversary of the date of the effectiveness of the Shelf Registration Statement or such earlier date as is provided in the Registration Rights Agreement.

If (i) on or prior to 180 days following the date of original issuance of the Preferred Securities, a Shelf Registration Statement has not been filed with the Commission, or (ii) on or prior to the 60th day following the filing of such Shelf Registration Statement, such Shelf Registration Statement is not declared effective (each, a "Registration Default"), additional interest ("Liquidated Damages") will accrue on the Securities from and including the day following such Registration Default to but excluding the day on which such Registration Default has been cured. Liquidated Damages will be paid quarterly in arrears, with the first quarterly payment due on the first interest payment date in respect of the Securities following the date on which such Liquidated Damages begin to accrue, and will accrue at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the principal amount of the Securities to and including the 90th day following such Registration Default and at a rate per annum equal to one-half of one percent (0.50%) thereof from and after the 91st day following such Registration Default. In the event that the Shelf Registration Statement ceases to be effective prior to the third anniversary of the initial effective date of the Shelf Registration Statement or such earlier date as is provided in the Registration Rights Agreement for a period in excess of 60 days, whether or not consecutive, during any 12-month period, then the interest rate borne by the Securities shall increase by an additional one-half of one percent (0.50%) per annum from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to but excluding the day on which the Shelf Registration Statement again becomes effective.

ARTICLE ELEVEN

Redemption of Securities

SECTION 1101. Right of Redemption.

(a) The Securities may be redeemed at the election of the Company, as a whole or in part, at any time or from time to time on or after December 1, 1998, at the Redemption Prices set forth in Section 1109 below.

(b) The Securities may be redeemed as a whole but not in part at the election of the Company at any time within 90 days following the occurrence of a Tax Event; provided, however, that, subject to Section 1110 of this Article Eleven, if, at the time there is available to the Company or the Trust the opportunity to eliminate, within such 90-day period, the Tax Event by taking some ministerial action, including but not limited to filing a form or making an election, or pursuing some other similar reasonable measure, which, in the sole judgment of the Company, has or will cause no adverse effect on the Trust or the Company or involves or will involve no material cost, then the Company or the Trust shall pursue such measure in lieu of redemption.

SECTION 1102. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by Section 1101, shall be made in accordance with such provision and this Article.

SECTION 1103. Election to Redeem; Notice to Trustee.

The election of the Company to redeem Securities pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days and no more than 90 days prior to the Redemption Date fixed by the Company, notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed and provide a copy of the notice of redemption given to Holders of Securities to be redeemed pursuant to Section 1104.

SECTION 1104. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities are to be redeemed (unless such redemption affects only a single Security), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption, on a pro rata basis, in portions equal to \$50 (or any integral multiple thereof) of the principal amount of the Securities.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption as aforesaid and, in case of any Securities selected for partial redemption as aforesaid, the principal amount thereof to be redeemed.

The provisions of the two preceding paragraphs shall not apply with respect to any redemption affecting only a single Security, whether such Security is to be redeemed in whole or in part. In the case of any such redemption in part, the unredeemed portion of the principal amount of the Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1105. Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at such Holder's address appearing in the Security Register.

All notices of redemption shall identify the Securities

to be redeemed (including the CUSIP number) and shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and that interest thereon will cease to accrue on and after said date, and

(4) the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1106. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest (including Additional Payments, if any) on, all the Securities which are to be redeemed on that date.

SECTION 1107. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with accrued interest (including Additional Payments, if any) to the Redemption Date; provided, however, that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to the terms and the provisions of Section 307.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Security.

SECTION 1108. Securities Redeemed in Part.

In the event of any redemption in part, the Company shall not be required to (i) issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before any selection for redemption of Securities and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all holders of Securities to be so redeemed and (ii) register the transfer of or exchange any Securities so selected for redemption, in whole or in part, except for the unredeemed portion of any Securities being redeemed in part.

Any Security which is to be redeemed only in part shall be surrendered at a place of payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

SECTION 1109. Optional Redemption.

(a) The Company shall have the right to redeem the Securities, in whole or in part, at any time or from time to time on or after December 1, 1998, upon not less than 30 nor more than 60 days' notice, at the following Redemption Prices, expressed as a percentage of the principal amount of the Securities, if redeemed during the 12-month period beginning December 1:

| Year | Percentage of Principal Amount |
|--------------------------|--------------------------------|
| 1998 | 105.95% |
| 1999 | 105.10% |
| 2000 | 104.25% |
| 2001 | 103.40% |
| 2002 | 102.55% |
| 2003 | 101.70% |
| 2004 | 100.85% |
| 2005 and thereafter. . . | 100.00% |

plus, in each case, accrued and unpaid interest, including Additional Payments, if any, to the Redemption Date. Any redemption pursuant to this Section 1109 shall be made pursuant to the provisions of Sections 1101 through 1108 hereof.

(b) If a partial redemption of the Securities would result in the delisting of the Preferred Securities issued by the Trust from any national securities exchange or other organization on which the Preferred Securities are listed, the Company shall not be permitted to effect such partial redemption and may only redeem the Securities in whole.

SECTION 1110. Tax Event Redemption.

If a Tax Event has occurred and is continuing and:

(a) the Company has received a Redemption Tax Opinion;

or

(b) the Trustee shall have been informed by tax counsel that a No Recognition Opinion cannot be delivered to the Trust, then, notwithstanding Section 1109(a) but subject to Section 1109(b), the Company shall have the right upon not less than 30 nor more than 60 days' notice to the Holders of the Securities to redeem the Securities in whole (but not in part), for cash at \$50 per \$50 principal amount of the Securities plus accrued and unpaid interest, including Additional Payments, if any, within 90 days following the occurrence of such Tax Event (the "90 Day Period"); provided, however, that if, at the time there is available to the Company or the Trust the opportunity to eliminate within the 90 Day Period, the Tax Event by taking some ministerial action, including, but not limited to, filing a form or making an election, or pursuing some other similar reasonable measure that, in the sole judgment of the Company, will have no adverse effect on the Company, the Trust or the Holders of the Trust Securities issued by the Trust and will involve no material cost, then the Company or the Trust shall pursue such ministerial action or other measure in lieu of redemption, and provided, further, that the Company shall have no right to redeem the Securities while the Trust is pursuing any ministerial action or other similar measure pursuant to its obligations under the Declaration. The redemption payment of \$50 per \$50 principal amount of the Securities plus accrued and unpaid interest, including Additional Payments, if any, shall be made prior to 12:00 noon, Delaware time, on the date of such redemption or such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to make such redemption payment by 10:00 a.m., Delaware time, on the date such redemption payment is to be made.

ARTICLE TWELVE

Subordination of Securities

SECTION 1201. Agreement to Subordinate.

The Company covenants and agrees, and each Holder of Securities by such Holder's acceptance thereof likewise covenants and agrees, that all Securities shall be issued subject to the provisions of this Article Twelve; and each Holder of a Security,

whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions. The payment by the Company of the principal of, premium, if any, and interest (including any Additional Payments) on all Securities issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full of all Senior Indebtedness, whether outstanding at the date of this Indenture or thereafter incurred; provided, however, that no provision of this Article Twelve shall prevent the occurrence of any default or Event of Default hereunder.

SECTION 1202. Default on Designated Senior Indebtedness.

In the event and during the continuation of any default by the Company in the payment of principal, premium, interest or any other payment due on any Designated Senior Indebtedness continuing beyond the period of grace, if any, specified in the instrument evidencing such Designated Senior Indebtedness, unless and until such default shall have been cured or waived or shall have ceased to exist, and in the event that the maturity of any Designated Senior Indebtedness has been accelerated because of a default, then no payment shall be made by the Company with respect to the principal of (including redemption payments), premium, if any, or interest (including any Additional Payments) on the Securities.

In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by the preceding paragraph of this Section 1202, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any of such Senior Indebtedness may have been issued, as their respective interests may appear, but only to the extent that the holders of the Senior Indebtedness (or their representative or representatives or a trustee) notify the Trustee within 90 days of such payment of the amounts then due and owing on the Senior Indebtedness and only the amounts specified in such notice to the Trustee shall be paid to the holders of Senior Indebtedness.

SECTION 1203. Liquidation; Dissolution; Bankruptcy.

Upon any payment by the Company or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or liquidation or reorganization of the Company, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership or other proceedings, all amounts (including principal, premium, if any, and interest) due or to become due upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money in accordance with its terms, before any payment is made on account of the principal (and premium, if any) or interest (including any Additional Payments) on the Securities; and upon any such dissolution or winding up or liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee would be entitled, except for the provisions of this Article Twelve, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders, as calculated by the Company) or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay such Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders of Securities or to the Trustee.

In the event that, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Trustee or the Holders of

the Securities before all Senior Indebtedness is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of and shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, and their respective interests may appear, as calculated by the Company, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay such Senior Indebtedness in full in money in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness.

For purposes of this Article Twelve, the words, "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article Twelve with respect to the Securities to the payment of all Senior Indebtedness which may at the time be outstanding; provided, that (i) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company with or into, another Person or the liquidation or dissolution of the Company following the conveyance, transfer or lease of all or substantially all its properties and assets on a consolidated basis to another Person upon the terms and conditions provided for in Article Eight hereof shall not be deemed a dissolution, winding up, liquidation or reorganization for the purposes of this Section 1203 if such other Person shall, as a part of such consolidation, merger, conveyance, transfer or lease, comply with the conditions stated in Article Eight hereof. Nothing in Section 1202 or in this Section 1203 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 607 hereof.

SECTION 1204. Subrogation.

Subject to the payment in full of all Senior Indebtedness, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company, as the case may be, applicable to such Senior Indebtedness until the principal of (and premium, if any) and interest (including any Additional Payments) on the Securities shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article Twelve, and no payment over pursuant to the provisions of this Article Twelve, to or for the benefit of the holders of such Senior Indebtedness by Holders of the Securities or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness, and the Holders of the Securities, be deemed to be a payment by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article Twelve are and are intended solely for the purposes of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of such Senior Indebtedness on the other hand.

Nothing contained in this Article Twelve or elsewhere in this Indenture or in the Securities is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest (including any Additional Payments) on the Securities as and when the same shall become due and payable in accordance with their terms (except as permitted by Section 312), or is intended to or shall affect the relative rights of the Holders of the Securities and creditors of the Company, as the case may be, other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under

this Indenture, subject to the rights, if any, under this Article Twelve of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company, as the case may be, received upon the exercise of any such remedy.

Upon any payment or distribution of assets of the Company referred to in this Article Twelve, the Trustee, subject to the provisions of Section 603, and the Holders of the Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, as the case may be, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article Twelve.

SECTION 1205. Trustee to Effectuate Subordination.

Each Holder of Securities by such Holder's acceptance thereof authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article Twelve and appoints the Trustee as such Holder's attorney-in-fact for any and all such purposes.

SECTION 1206. Notice by the Company.

The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company which would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provisions of this Article Twelve. Notwithstanding the provisions of this Article Twelve or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of monies to or by the Trustee in respect of the Securities pursuant to the provision of this Article Twelve, unless and until a Responsible Officer of the Trustee shall have received written notice thereof at the Corporate Trust Office of the Trustee from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 603 hereof, shall be entitled in all respects to assume that no such facts exist; provided, however, that if the Trustee shall not have received the notice provided for in this Section 1206 at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of (and premium, if any) or interest (including any Additional Payments) on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which they were received, and shall not be affected by any notice to the contrary which may be received by it within two Business Days prior to such date.

The Trustee, subject to the provisions of Section 603, shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article Twelve, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the right of such Person under this Article Twelve, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 1207. Rights of the Trustee; Holders of Senior Indebtedness.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article Twelve in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Company, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are set forth in this Article Twelve, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Section 603, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Holders of Securities, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article Twelve or otherwise. With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in this Article Twelve and no implied covenants or obligations with respect to holders of Senior Indebtedness shall be read into this Indenture against the Trustee.

SECTION 1208. Subordination May Not Be Impaired.

No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the holders of the Securities and without impairing or releasing the subordination provided in this Article Twelve or the obligations hereunder of the Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection of such Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

ARTICLE THIRTEEN

Conversion of Securities

SECTION 1301. Conversion Rights.

Subject to and upon compliance with the provisions of this Article, the Securities are convertible, at the option of the Holder, at any time on or before redemption as provided below or the close of business at their Stated Maturity, into fully paid and nonassessable shares of Class B Common Stock of the Company at an initial conversion rate of 1.034 shares of Class B Common Stock for each \$50 in aggregate principal amount of Securities (equal to a conversion price of \$48.36 per share of Class B Common Stock), subject to adjustment as described in this Article Thirteen. A Holder of Securities may convert any portion of the principal amount of the Securities into that number of fully paid and nonassessable shares of Class B Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the principal amount of the Securi-

ties to be converted by such conversion price. In case a Security or portion thereof is called for redemption, such conversion right in respect of the Security or portion so called shall expire at the close of business on the corresponding Redemption Date, unless the Company defaults in making the payment due upon redemption.

SECTION 1302. Conversion Procedures.

(a) In order to convert all or a portion of the Securities, the Holder thereof shall deliver to the Conversion Agent an irrevocable Notice of Conversion setting forth the principal amount of Securities to be converted, together with the name or names, if other than the Holder, in which the shares of Class B Common Stock should be issued upon conversion and, if such Securities are definitive Securities, surrender to the Conversion Agent the Securities to be converted, duly endorsed or assigned to the Company or in blank. In addition, a holder of Preferred Securities or Common Securities may exercise its right under the Declaration to convert such Preferred Securities or Common Securities into Class B Common Stock by delivering to the Conversion Agent an irrevocable Notice of Conversion setting forth the information called for by the preceding sentence and directing the Conversion Agent (i) to exchange such Preferred Security or Common Security for a portion of the Securities held by the Trust (at an exchange rate of \$50 principal amount of Securities for each Preferred Security or Common Security) and (ii) to immediately convert such Securities, on behalf of such holder, into Class B Common Stock of the Company pursuant to this Article Thirteen and, if such Preferred Securities or Common Securities are in definitive form, surrendering such Preferred Securities or Common Securities, duly endorsed or assigned to the Company or in blank.

If a Notice of Conversion is delivered on or after the Regular Record Date and prior to the subsequent Interest Payment Date, the Holder will be entitled to receive the interest payable on the subsequent Interest Payment Date on the portion of Securities to be converted notwithstanding the conversion thereof prior to such Interest Payment Date. Except as otherwise provided in the immediately preceding sentence, in the case of any Security which is converted, interest (including any Additional Payments) shall not be payable, and the Company shall not make nor be required to make any other payment, adjustment or allowance with respect to accrued but unpaid interest on the Securities being converted, which shall be deemed to be paid in full. Each conversion shall be deemed to have been effected immediately prior to the close of business on the day on which the Notice of Conversion was received (the "Conversion Date") by the Conversion Agent from the Holder or from a holder of the Preferred Securities or the Common Securities effecting a conversion thereof pursuant to its conversion rights under the Declaration, as the case may be. The Person or Persons entitled to receive the Class B Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Class B Common Stock as of the Conversion Date. As promptly as practicable on or after the Conversion Date, the Company shall issue and deliver at the office of the Conversion Agent, unless otherwise directed by the Holder in the Notice of Conversion, a certificate or certificates for the number of full shares of Class B Common Stock issuable upon such conversion, together with the cash payment, if any, in lieu of any fraction of any share to the Person or Persons entitled to receive the same. The Conversion Agent shall deliver such certificate or certificates to such Person or Persons.

(b) The Company's delivery upon conversion of the fixed number of shares of Class B Common Stock into which the Securities are convertible (together with the cash payment, if any, in lieu of fractional shares) shall be deemed to satisfy the Company's obligation to pay the principal amount at Maturity of the portion of Securities so converted and any unpaid interest (including Compounded Interest, Additional Interest and Liquidated Damages, if any) accrued on such Securities at the time of such conversion.

(c) No fractional shares of Class B Common Stock will be issued as a result of conversion, but in lieu thereof, the Company shall pay to the Conversion Agent a cash adjustment in an amount equal to the same fraction of the Current Market Price of the Class B Common Stock of such fractional interest on the date

on which the Securities, the Common Securities or the Preferred Securities, as the case may be, were duly surrendered to the Conversion Agent for conversion, or, if such day is not a Trading Day, on the next Trading Day, and the Conversion Agent in turn will make such payment, if any, to the Holder of the Securities or the holder of the Preferred Securities or the Common Securities so converted.

(d) In the event of the conversion of any Security in part only, a new Security or Securities for the unconverted portion thereof will be issued in the name of the Holder thereof upon the cancellation thereof in accordance with Section 305.

(e) In effecting the conversion transactions described in this Section, the Conversion Agent is acting as agent of the holders of Preferred Securities (in the exchange of Preferred Securities for Securities), as agent of the holders of Common Securities (in the exchange of Common Securities for Securities) and as agent of the Holders of Securities (in the conversion of Securities into Class B Common Stock), as the case may be, directing it to effect such conversion transactions. The Conversion Agent is hereby authorized (i) to exchange Securities held by the Trust from time to time for Preferred Securities in connection with the conversion of such Preferred Securities in accordance with this Article Thirteen, (ii) to exchange Securities held by the Trust from time to time for Common Securities in connection with the conversion of such Common Securities in accordance with this Article Thirteen and (iii) to convert all or a portion of the Securities into Class B Common Stock and thereupon to deliver such shares of Class B Common Stock in accordance with the provisions of this Article Thirteen and to deliver to the Trust a new Security or Securities for any resulting unconverted principal amount.

(f) All shares of Class B Common Stock delivered upon any conversion of Restricted Preferred Securities shall bear the restrictive legend set forth in Section 1310(a) and shall be subject to the restrictions on transfer provided in such legend and in Section 305(b) hereof. Neither the Trustee nor the Conversion Agent shall have any responsibility for the inclusion or content of any such restrictive legend on such Class B Common Stock; provided, however, that the Trustee or the Conversion Agent shall have provided to the Company or to the Company's transfer agent for such Class B Common Stock, prior to or concurrently with a request to the Company to deliver to such Conversion Agent certificates for such Class B Common Stock, written notice that the Securities delivered for conversion are Restricted Preferred Securities.

SECTION 1303. Conversion Price Adjustments.

The conversion price shall be subject to adjustment (without duplication) from time to time as follows:

(i) In case the Company after the date hereof shall pay or make a dividend or other distribution on any class of capital stock of the Company exclusively in Common Stock of the Company, the conversion price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares of Common Stock and the total number of shares of Common Stock constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. If after any such date fixed for determination any dividend or distribution is not paid, the conversion price shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the conversion price that would have been in effect if such determination date had not been fixed. For the purposes of this subparagraph (i), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company shall not pay any dividend or make any distribution exclusively in Common Stock on shares of any class or series of capital stock of

the Company held in the treasury of the Company.

(ii) In case the Company after the date hereof shall pay or make a dividend or other distribution on any class of Common Stock consisting exclusively of, or shall otherwise issue to all holders of any class of Common Stock, rights or warrants entitling the holders thereof, within a 45 calendar-day period, to subscribe for or purchase shares of any class of Common Stock at a price per share less than the Current Market Price per share of such class of Common Stock on the date fixed for the determination of stockholders entitled to receive such rights or warrants, the conversion price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such conversion price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Current Market Price and the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. To the extent that shares of any class of Common Stock are not so delivered after the expiration of such rights or warrants, the conversion price shall be immediately readjusted to the conversion price which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. For the purposes of this subparagraph (ii), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company shall not issue any rights or warrants in respect of shares of Common Stock held in the treasury of the Company. In case any rights or warrants referred to in this subparagraph (ii) in respect of which an adjustment shall have been made shall expire unexercised within 45 days after the same shall have been distributed or issued by the Company, the conversion price shall be readjusted at the time of such expiration to the conversion price that would have been in effect if no adjustment had been made on account of the distribution or issuance of such expired rights or warrants.

(iii) In case after the date hereof outstanding shares of any class of Common Stock shall be subdivided into a greater number of shares of such class of Common Stock, and in case outstanding shares of any class of Common Stock shall be combined into a smaller number of shares of such class of Common Stock, the conversion price in effect at the opening of business on the day following the day upon which such subdivision or combination becomes effective shall be adjusted so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price adjustment contemplated by this subparagraph (iii) by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination and the denominator shall be the number of shares of Common Stock outstanding immediately after giving effect to such subdivision or combination, such adjustment to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(iv) Subject to the last sentence of this subparagraph (iv), in case after the date hereof the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, shares of any class or series of capital stock, cash or assets (including securities, but excluding (A) any dividend or distribution referred to in subparagraph (i) of this Section 1303, (B) any rights or warrants referred to in subparagraph (ii) of this Section 1303, and (C) any dividends or distributions made solely in cash if the per share amount thereof, when added to the per share amount of other distributions made within the preceding 12 months (other than those dis-

tributions that resulted in a conversion price adjustment pursuant to this Section 1303) does not exceed 15% of the average of the Current Market Prices per share of Class B Common Stock for 20 consecutive Trading Days ending not more than ten days prior to the date of declaration of such dividend or distribution), the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (iv) by a fraction of which the numerator shall be the Current Market Price per share of the Class B Common Stock on the third Trading Day prior to the date fixed for the determination of stockholders entitled to receive such distribution (the "Reference Date") less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), on the Reference Date, of the portion of the evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Class B Common Stock and the denominator shall be such Current Market Price per share of the Class B Common Stock on the Reference Date, such reduction to become effective immediately prior to the opening of business on the day following the Reference Date. In the event that such dividend or distribution is not so paid or made, the conversion price shall be adjusted immediately to be the conversion price which would then be in effect if such dividend or distribution had not occurred. If the Board of Directors determines the fair market value of any distribution for purposes of this subparagraph (iv) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing 15% of the average of the Current Market Prices per share of Class B Common Stock pursuant to this subparagraph (iv). For purposes of this subparagraph (iv), any dividend or distribution that includes shares of Class B Common Stock or rights or warrants to subscribe for or purchase shares of Class B Common Stock shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, shares of capital stock, cash or assets other than such shares of Class B Common Stock or such rights or warrants (making any conversion price reduction required by this subparagraph (iv)) immediately followed by (2) a dividend or distribution of such shares of Class B Common Stock or such rights or warrants (making any further conversion price reduction required by subparagraph (i) or (ii)), except (x) the Reference Date of such dividend or distribution as defined in this subparagraph (iv) shall be substituted in place of the phrases (a) "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution" and (b) "the date fixed for such determination" within the meaning of subparagraphs (i) and (ii), respectively, of this Section 1303 and (y) any shares of Class B Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (i) of this Section 1303.

(v) In case after the date hereof a tender or exchange offer (other than an odd-lot offer) made by the Company or any subsidiary of the Company for all or any portion of any class of Common Stock shall expire and such tender or exchange offer shall involve the payment by the Company or such subsidiary of consideration per share of such class of Common Stock having a fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds 110% of the Current Market Price per share of such class of Common Stock as of the Trading Day next succeeding the Expiration Time, the conversion price shall be reduced so that the same shall equal the price determined by multiplying the conversion price in effect immediately prior to the effectiveness of the conversion price reduction contemplated by this subparagraph (v) by a fraction of which the numerator shall be the sum of the products of the number of shares of each class of Common Stock outstanding (includ-

ing any tendered or exchanged shares) at the Expiration Time multiplied by the respective Current Market Price per share of each such class of Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the sum of the products of the number of shares of each class of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the respective Current Market Price per share of each such class of Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time.

(vi) For the purpose of any computation under subparagraphs (ii), (iv) and (v) of this Section 1303, the current market price per share ("Current Market Price") of any class of Common Stock for any day shall mean the reported last sale price regular way on such day or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way of such Common Stock on such day, in each case as reported on the New York Stock Exchange Composite Tape, or, if such class of Common Stock is not then listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such class of Common Stock is listed or admitted to trading, or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc., or, if such class of Common Stock is not quoted or admitted to trading on such quotation system, on the principal quotation system on which such class of Common Stock is listed or admitted to trading or quoted, or, if not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing bid and asked prices of such class of Common Stock in the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or, if not so available in such manner, as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors of the Company for that purpose, or, if not so available in such manner, as otherwise determined in good faith by the Board of Directors.

(vii) The Company may make such reductions in the conversion price, in addition to those required by subparagraphs (i), (ii), (iii), and (v), as it considers to be advisable to avoid or diminish any income tax to holders of any class of Common Stock or rights to purchase any class of Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. The Company from time to time may reduce the conversion price by any amount for any period of time if the period is at least twenty (20) days, the reduction is irrevocable during the period and the Board of Directors of the Company shall have made a determination that such reduction would be in the best interest of the Company, which determination shall be conclusive. Whenever the conversion price is reduced pursuant to the preceding sentence, the Company shall mail to holders of record of the Securities a notice of the reduction at least fifteen (15) days prior to the date the reduced conversion price takes effect, and such notice shall state the reduced conversion price and the period it will be in effect.

(viii) No adjustment in the conversion price shall be required unless such adjustment would require an increase or decrease of at least 1% in the conversion price; provided, however, that any adjustments which by reason of this subparagraph (viii) are not required to be made shall be carried forward and taken into account in determining whether any subsequent adjustment shall be required. All calculations under this Section 1303(viii) shall be made to the nearest cent or to the nearest one-hundredth of a share,

as the case may be.

SECTION 1304. Merger, Consolidation or Sale of Assets.

In case of any (i) consolidation or merger of Continental with or into any other entity (other than a consolidation or merger in which Continental is the surviving entity), (ii) sale, transfer, lease or conveyance of all or substantially all of the assets of Continental, (iii) reclassification, capital reorganization or change of the Class B Common Stock (other than solely a change in par value, or from par value to no par value) or (iv) consolidation or merger of another entity into the Company in which there is a reclassification or change of the Class B Common Stock (other than solely a change in par value, or from par value to no par value), then any holder of Securities will be entitled, on or after the occurrence of any such event, to receive on conversion of such Securities the kind and amount of shares of stock or other securities, cash or other property (or any combination thereof) which the holder would have received had such holder converted such holder's Securities immediately prior to the occurrence of such event. If the consideration into which the Securities are convertible following any such event consists of Class B Common Stock or common stock of the surviving entity (as the case may be), then from and after the occurrence of such event the conversion price for each Security into such common stock shall be subject to the same anti-dilution and other adjustments described in the preceding Section 1303, applied as if such common stock were Class B Common Stock.

The Company or the Person formed by such consolidation or resulting from such merger or which acquired such assets or which acquires the Company's shares, as the case may be, shall make provision in its certificate or articles of incorporation or other constituent document to establish the rights of the Holders set forth in the preceding paragraph. Such certificate or articles of incorporation or other constituent document shall provide for adjustments which, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Thirteen. The above provisions shall similarly apply to successive transactions of the foregoing type.

SECTION 1305. Notice of Adjustments of Conversion Price.

Whenever the conversion price is adjusted as herein provided:

(a) the Company shall compute the adjusted conversion price and shall prepare a certificate signed by the Chief Financial Officer or the Treasurer of the Company setting forth the adjusted conversion price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Trustee and the transfer agent for the Preferred Securities, the Common Securities and the Securities; and

(b) a notice stating the conversion price has been adjusted and setting forth the adjusted conversion price shall as soon as practicable be mailed by the Company to all record holders of the Preferred Securities, the Common Securities and the Securities at their last addresses as they appear upon the stock transfer books of the Company and the Trust.

SECTION 1306. Prior Notice of Certain Events.

In case:

(i) the Company shall (1) declare any dividend (or any other distribution) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash that would not require an adjustment pursuant to Section 1303(iv);

(ii) the Company shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or series or of any other rights or warrants;

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding

Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company shall be required, or of the sale or transfer of all or substantially all of the assets of the Company or of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or other property; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall (a) if any Preferred Securities or Common Securities are outstanding, cause to be filed with the transfer agent(s) for the Preferred Securities and the Common Securities, and shall cause to be mailed to the holders of record of the Preferred Securities and the Common Securities, at their last addresses as they shall appear upon the stock transfer books of the Trust or (b) shall cause to be mailed to all Holders at their last addresses as they shall appear in the Security Register, at least fifteen days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, rights or warrants or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice).

SECTION 1307. [Reserved]

SECTION 1308. Dividend or Interest Reinvestment Plans.

Notwithstanding the foregoing provisions, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any such plan, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant to any employee benefit plan or program of the Company or pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Securities were first issued, shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Company to which any of the adjustment provisions described above applies. There shall also be no adjustment of the conversion price in case of the issuance of any stock (or securities convertible into or exchangeable for stock) of the Company except as specifically described in this Article Thirteen.

SECTION 1309. Certain Additional Rights.

In case the Company shall, by dividend or otherwise, declare or make a distribution on its Common Stock referred to in Section 1303(iv) (including, without limitation, dividends or distributions referred to in the last sentence of Section 1303(iv)), the Holder of the Securities, upon the conversion thereof subsequent to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution and prior to the effectiveness of the conversion price adjustment in respect of such distribution, shall also be entitled to receive for each share of Class B Common Stock into which the Securities are converted, the portion of the shares of Class B Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash and assets so distributed applicable to one share of Class B Common Stock; provided, however, that, at the election of the Company (whose election shall be conclusively evidenced by a resolution of the Board of Directors) with respect to all Holders so converting, the Company may, in lieu of distributing to such Holder any portion of such

distribution not consisting of cash or securities of the Company, pay such Holder an amount in cash equal to the fair market value thereof (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors). If any conversion of Securities described in the immediately preceding sentence occurs prior to the payment date for a distribution to holders of Class B Common Stock which the Holder of Securities so converted is entitled to receive in accordance with the immediately preceding sentence, the Company may elect (such election to be conclusively evidenced by a resolution of the Board of Directors) to distribute to such Holder a due bill for the shares of Class B Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets to which such Holder is so entitled, provided, that such due bill (i) meets any applicable requirements of the principal national securities exchange or other market on which the Class B Common Stock is then traded and (ii) requires payment or delivery of such shares of Class B Common Stock, rights, warrants, evidences of indebtedness, shares of capital stock, cash or assets no later than the date of payment or delivery thereof to holders of shares of Class B Common Stock receiving such distribution.

SECTION 1310. Restrictions on Common Stock Issuable upon Conversion.

(a) Shares of Class B Common Stock to be issued upon conversion of a Security in respect of Restricted Preferred Securities (as defined in the Declaration) shall bear a restrictive legend to the following effect:

THE COMMON STOCK EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THE CONVERTIBLE SUBORDINATED DEBENTURES UPON THE CONVERSION OF WHICH THE COMMON STOCK EVIDENCED HEREBY WAS ISSUED AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES FINANCE TRUST, CONTINENTAL AIRLINES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE COMMON STOCK EVIDENCED HEREBY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR", FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND

(b) If shares of Class B Common Stock to be issued upon conversion of a Security in respect of Restricted Preferred Securities are to be registered in a name other than that of the Holder of such Restricted Preferred Security, then the Person in whose name such shares of Class B Common Stock are to be registered must deliver to the Conversion Agent a certificate satisfactory to the Company and signed by such Person, as to compliance with the restrictions on transfer applicable to such Restricted Preferred Security. Neither the Trustee nor any Conversion Agent or Registrar shall be required to register in a name other than that of such Holder shares of Class B Common Stock issued upon conversion of any such Security in respect of such Preferred Securities not so accompanied by a properly completed certificate.

SECTION 1311. Trustee Not Responsible for Determining Conversion Price or Adjustments.

Neither the Trustee nor any Conversion Agent shall at any time be under any duty or responsibility to any Holder of any Security to determine whether any facts exist which may require any adjustment of the conversion price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the validity or value (or the kind of account) of any shares of Class B Common Stock or of any securities or property, which may at any time be issued or delivered upon the conversion of any Security; and neither the Trustee nor any Conversion Agent makes any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Class B Common Stock or stock certificates or other securities or property upon the surrender of any Security for the purpose of conversion, or, except as expressly herein provided, to comply with any of the covenants of the Company contained in Article Ten or this Article Thirteen.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

Attest:

Secretary/Assistant Secretary

WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Trustee

By: _____
Name:
Title:

Attest:

EXHIBIT A-1

FORM OF SECURITY

[FORM OF FACE OF SECURITY]

THIS SECURITY AND ANY COMMON STOCK TO BE ISSUED ON CONVERSION HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS THREE YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CONTINENTAL AIRLINES, INC. (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THE SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR (7) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL "ACCREDITED INVESTOR", FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F), TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

CONTINENTAL AIRLINES, INC.

8 1/2% Convertible Subordinated
Deferrable Interest Debenture Due 2020

No. _____ \$ _____
CUSIP No. _____

CONTINENTAL AIRLINES, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called "the Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum [indicated on Schedule A hereof]* [of _____ Dollars]** (\$ _____) on December 1, 2020.

* Applicable to Global Securities only.

** Applicable to certificated Securities only.

Interest Payment Dates: March 1, June 1, September 1 and December 1, commencing March 1, 1996

Regular Record Dates: except as otherwise provided in the
 Indenture, the close of business on the
 Business Day next preceding each
 Interest Payment Date

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated: _____, ____

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

[Seal]

Attest:

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

This is one of the Securities referred to in the
within-mentioned Indenture.

Dated: November 28, 1995

Wilmington Trust Company,
not in its individual
capacity but solely
as Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF SECURITY]

CONTINENTAL AIRLINES, INC.

8 1/2% Convertible Subordinated
Deferrable Interest Debenture Due 2020*

(1) Interest. Continental Airlines, Inc., a Delaware corporation (the "Company"), is the issuer of this 8 1/2% Convertible Subordinated Deferrable Interest Debenture Due 2020 (the "Security") limited in aggregate principal amount to \$231,958,750 (or up to \$266,752,600 if the overallotment option is exercised in full), issued under the Indenture hereinafter referred to. The Company promises to pay interest on the Securities in cash from November 28, 1995 or from the most recent interest payment date to which interest has been paid or duly provided for, quarterly (subject to deferral for up to 20 consecutive quarters as described in Section 3 hereof) in arrears on March 1, June 1, September 1 and December 1 of each year (each such date, an "Interest Payment Date"), commencing March 1, 1996, at the rate of 8 1/2% per annum (subject to increase as provided in Section 13 hereto) plus Additional Interest and Liquidated Damages, if any, until the principal hereof shall have become due and payable.

All terms used in this Security which are defined in the Indenture or in the Declaration attached as Annex A thereto shall have the meanings assigned to them in the Indenture or the Declaration, as the case may be.

The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year.

To the extent lawful, the Company shall pay interest on overdue installments of interest (without regard to any applicable grace period) at the rate borne by the Securities, compounded quarterly. Any interest paid on this Security shall be increased to the extent necessary to pay Additional Interest as set forth in this Security.

(2) Additional Interest. The Company shall pay to Continental Airlines Finance Trust (and its permitted successors or assigns under the Declaration) (the "Trust") such additional amounts as may be necessary in order that the amount of dividends or other distributions then due and payable by the Trust on the Preferred Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of any additional taxes, duties, assessments and other governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority.

(3) Extension of Interest Payment Period. The Company shall have the right, at any time during the term of this Security, from time to time to defer payments of interest (including Compounded Interest, Additional Interest and Liquidated Damages, if any) by extending the interest payment period of such Security for up to 20 consecutive quarters (an "Extended Interest Payment Period"). To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to Section 312 of the Indenture, will bear interest thereon at 8 1/2% compounded quarterly for each quarter of the Extended Interest Payment Period, to the extent permitted by applicable law ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Company shall pay all interest then accrued and unpaid on the Securities, including any Compounded Interest that shall be payable to the Holders of the Securities in whose names the Securities are registered in the Security Register on the first Regular Record Date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any Extended Interest Payment Period and upon the payment of all Compounded Interest, Additional Interest and Liquidated Damages, if any, then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period except at the end thereof.

If the Property Trustee is the sole holder of the Securities, the Company shall give the Holder of the Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least one Business Day prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Preferred Securities on the record date or the date such distributions are payable.

If the Property Trustee is not the sole holder of the Securities, the Company shall give the Holders of the Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least ten Business Days prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Securities on the record date or the date such distributions are payable.

The quarter in which any notice is given pursuant to the second and third paragraphs of this Section 3 shall be counted as one of the 20 quarters permitted in the maximum Extended Interest Payment Period permitted under the first paragraph of this Section 3.

(4) Method of Payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the regular record date for such interest installment, which, except as otherwise provided in the Indenture, shall be the close of business on the Business Day next preceding each Interest Payment Date (the "Regular Record Date"), commencing March 1, 1996. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of and interest on this Security will be made at the office or agency of the Company maintained for that purpose in Wilmington, Delaware or New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

(5) Paying Agent and Security Registrar. The Trustee will act as Paying Agent, Security Registrar and Conversion Agent. The Company may change any Paying Agent, Security Registrar, co-registrar or Conversion Agent without prior notice. The Company or any of its Affiliates may act in any such capacity.

(6) Indenture. The Company issued the Securities under an indenture, dated as of November 28, 1995 (the "Indenture"), between the Company and Wilmington Trust Company, not in its individual capacity but solely as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbb) ("TIA") as in effect on the date of the Indenture. The Securities are subject to, and qualified by, all such terms, certain of which are summarized hereon, and holders are referred to the Indenture and the TIA for a more complete statement of such terms. The Securities are unsecured general obligations of the Company limited to \$231,958,750 in aggregate principal amount (or up to \$266,752,600 if the overallocation option is exercised in full) and subordinated in right of payment to all existing and future Senior Indebtedness of the Company. No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Security when due at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

(7) Optional Redemption. The Securities are redeemable, in whole or in part, at the Company's option at any time and from time to time after December 1, 1998, upon not less than 30 or more than 60 days' notice, at the following Redemption Prices, expressed as a percentage of the principal amount of the Securities, if redeemed during the 12-month period beginning December 1 of the applicable year set forth below:

| Year | Percentage of Principal Amount |
|---------------|--------------------------------------|
| 1998. | 105.95% |
| 1999. | 105.10% |

| | |
|-------------------------------|---------|
| 2000. | 104.25% |
| 2001. | 103.40% |
| 2002. | 102.55% |
| 2003. | 101.70% |
| 2004. | 100.85% |
| 2005 and thereafter | 100.00% |

plus, in each case, accrued and unpaid interest, including Additional Payments, if any, to the Redemption Date (subject to the right of holders of record on the relevant record date to receive interest due on the Interest Payment Date). From and after the Redemption Date, interest will cease to accrue on the Securities, or portion thereof, called for redemption.

(8) Optional Redemption Upon Tax Event. The Securities are subject to redemption in whole, but not in part, at the Company's option at any time within 90 days, if a Tax Event (as defined in the Declaration) shall occur and be continuing, at a redemption price equal to \$50 per \$50 principal amount thereof plus accrued but unpaid interest, including Additional Interest, if any, to the Redemption Date. Any redemption pursuant to this Section 8 will be made upon not less than 30 nor more than 60 days' notice.

(9) Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities to be redeemed at his address of record. The Securities in denominations larger than \$50 may be redeemed in part but only in integral multiples of \$50. In the event of a redemption of less than all of the Securities, the Securities will be chosen for redemption by the Trustee in accordance with the Indenture. On and after the Redemption Date, interest ceases to accrue on the Securities or portions thereof called for redemption.

If this Security is redeemed subsequent to a Regular Record Date with respect to any Interest Payment Date specified above and on or prior to such Interest Payment Date, then any accrued interest will be paid to the person in whose name this Security is registered at the close of business on such record date.

(10) Mandatory Redemption. The Securities will mature on December 1, 2020. There are no sinking fund payments with respect to the Securities.

(11) Subordination. The payment of the principal of, premium (if any), interest on or any other amounts due on the Securities is subordinated and junior in right of payment to all existing and future Senior Indebtedness (as defined below) of the Company, as described in the Indenture. Each holder, by accepting a Security, agrees to such subordination and authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee as its attorney-in-fact for such purpose.

In addition, no payment of principal (including redemption payments) of, premium, if any, or interest (including any Additional Interest, Compounded Interest or Liquidated Damages) on the Securities may be made (i) if any payment of principal, premium, interest or any other payment due on any Designated Senior Indebtedness of the Company is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) if the maturity of any Designated Senior Indebtedness of the Company has been accelerated because of a default.

"Senior Indebtedness" means in respect of the Company (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business), (iv) all obligations of such obligor for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction,

(v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Securities and (2) any indebtedness between or among such obligor or its Affiliates, including all other debt securities and guarantees in respect of those debt securities, initially issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company (a "Financing Entity") in connection with the issuance by such Financing Entity of preferred securities or other securities that rank pari passu with, or junior to, such preferred securities. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

"Designated Senior Indebtedness" means (i) all Senior Indebtedness of the Company outstanding from time to time under agreements between the Company, on the one hand, and General Electric Company, General Electric Capital Corporation, any of their respective direct or indirect subsidiaries, or any affiliates (as such term is defined in Rule 12b-2 under the Exchange Act) of any of the foregoing (each of which is a "GE Party"), or any trust of which any GE Party is a beneficiary, on the other hand, in effect on the original issue date of the Securities, and any renewal, refunding, replacement or extension thereof, and (ii) any Senior Indebtedness of the Company incurred, issued or assumed after the original issue date of the Securities, and any renewal, refunding, replacement or extension thereof.

(12) Conversion. The Holder of any Security has the right, exercisable at any time prior to the close of business (New York time) on the date of the Security's maturity, to convert the principal amount thereof (or any portion thereof that is an integral multiple of \$50) into shares of Class B Common Stock at the initial conversion price of 1.034 shares of Class B Common Stock for each Security (equivalent to a conversion price of \$48.36 per share of Class B Common Stock of the Company), subject to adjustment under certain circumstances, except that if a Security is called for redemption, the conversion right will terminate at the close of business on the Redemption Date.

To convert a Security, a Holder must (1) complete and sign a conversion notice substantially in the form attached hereto, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements or transfer documents if required by the Security Registrar or Conversion Agent and (4) pay any transfer or similar tax, if required. Upon conversion, no adjustment or payment will be made for interest or dividends, but if any Holder surrenders a Security for conversion after the close of business on the Regular Record Date for the payment of an installment of interest and prior to the opening of business on the next Interest Payment Date, then, notwithstanding such conversion, the interest payable on such Interest Payment Date will be paid to the registered Holder of such Security on such Regular Record Date. In such event, such Security, when surrendered for conversion, need not be accompanied by payment of an amount equal to the interest payable on such Interest Payment Date on the portion so converted. The number of shares issuable upon conversion of a Security is determined by dividing the principal amount of the Security converted by the conversion price in effect on the Conversion Date. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest. The outstanding principal amount of any Security shall be reduced by the portion of the principal amount thereof converted into shares of Common Stock.

(13) Registration Rights. The holders of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock of the Company issuable upon conversion thereof are entitled to the benefits of a Registration Rights Agreement, dated as of November 28, 1995, among the Trust, the Company and the Initial Purchasers (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Trust and the Company have agreed for the benefit of the holders from time to

time of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock issuable upon conversion thereof that they will, at the Company's expense, (a) within 180 days after the date of issuance of the Preferred Securities, file a shelf registration statement (the "Shelf Registration Statement") with the Commission with respect to resales of the Preferred Securities, the Guarantee, the Securities and the Class B Common Stock issuable upon conversion thereof, (b) within 60 days after the date on which the Shelf Registration Statement is filed, use their best efforts to cause such Shelf Registration Statement to be declared effective by the Commission and (c) use their best efforts to maintain such Shelf Registration Statement continuously effective under the Securities Act of 1933, as amended, until the third anniversary of the date of the effectiveness of the Shelf Registration Statement or such earlier date as is provided in the Registration Rights Agreement.

If (i) on or prior to 180 days following the date of original issuance of the Preferred Securities, a Shelf Registration Statement has not been filed with the Commission, or (ii) on or prior to the 60th day following the filing of such Shelf Registration Statement, such Shelf Registration Statement is not declared effective (each, a "Registration Default"), additional interest ("Liquidated Damages") will accrue on the Securities from and including the day following such Registration Default to but excluding the day on which such Registration Default has been cured. Liquidated Damages will be paid quarterly in arrears, with the first quarterly payment due on the first interest payment date in respect of the Securities following the date on which such Liquidated Damages begin to accrue, and will accrue at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the principal amount of the Securities to and including the 90th day following such Registration Default and at a rate per annum equal to one-half of one percent (0.50%) thereof from and after the 91st day following such Registration Default. In the event that the Shelf Registration Statement ceases to be effective prior to the third anniversary of the initial effective date of the Shelf Registration Statement or such earlier date as is provided in the Registration Rights Agreement for a period in excess of 60 days, whether or not consecutive, during any 12-month period, then the interest rate borne by the Securities shall increase by an additional one-half of one percent (0.50%) per annum on the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective to but excluding the day on which the Shelf Registration Statement again becomes effective.

Each Holder of Securities, by its acceptance thereof, agrees to be bound by the terms of the Registration Rights Agreement relating to the Securities and the Class B Common Stock issuable upon conversion thereof.

(14) Registration, Transfer, Exchange and Denominations. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in Wilmington, Delaware, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of \$50 and integral multiples thereof. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary. In the event of redemption or conversion of this Security in part only, a new Security or Securities for the unredeemed or unconverted portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

(15) Persons Deemed Owners. The registered Holder of a Security may be treated as its owner for all purposes.

(16) Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its written request. After that, holders of Securities entitled to the money must look to the Company for payment unless an abandoned property law designates another Person and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

(17) Defaults and Remedies. The Securities shall have the Events of Default as set forth in Section 501 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee by notice to the Company or the holders of at least 25% in aggregate principal amount of the then outstanding Securities by notice to the Company and the Trustee may declare all the Securities to be due and payable immediately.

The holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Securities issued under the Indenture may direct the Trustee in its exercise of any trust or power. The Company must furnish annually compliance certificates to the Trustee. The above description of Events of Default and remedies is qualified in its entirety by reference to, and subject to, the more complete description thereof contained in the Indenture.

(18) Amendments, Supplements and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

(19) Trustee Dealings with the Company. The Trustee, in its individual or any other capacity may become the owner or pledgee of the Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have, as if it were not Trustee, subject to certain limitations provided for in the Indenture and in the TIA. Any Agent may do the same with like rights.

(20) No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder of the Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

(21) Governing Law. THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

(22) Authentication. The Securities shall not be valid until authenticated by the manual signature of an authorized officer of the Trustee.

(23) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

The Company will furnish to any Holder of the Securities upon written request and without charge a copy of the Indenture. Request may be made to:

Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attn: General Counsel

ASSIGNMENT FORM

To assign this Security, fill in the form below:

(I) or (we) assign and transfer this Security to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
agent to transfer this Security on the books of the Company. The
agent may substitute another to act for him.

Your Signature: _____
(Sign exactly as your name appears on
the other side of this Security)

Date: _____

Signature Guarantee:* _____

* Signature must be guaranteed by a commercial bank, trust
company or member firm of the New York Stock Exchange.

[Include the following if the Security bears a Restricted Securities Legend --

In connection with any transfer of any of the Securities
evidenced by this certificate, the undersigned confirms that such
Securities are being:

CHECK ONE BOX BELOW

- (1) / / exchanged for the undersigned's own account
without transfer; or
- (2) / / transferred pursuant to and in compliance with
Rule 144A under the Securities Act of 1933; or
- (3) / / transferred pursuant to and in compliance with
Regulation S under the Securities Act of 1933; or
- (4) / / transferred pursuant to another available
exemption from the registration requirements of
the Securities Act of 1933.

Unless one of the boxes is checked, the Trustee will refuse to
register any of the Securities evidenced by this certificate in
the name of any person other than the registered Holder thereof;
provided, however, that if box (3) or (4) is checked, the Trustee
may require, prior to registering any such transfer of the
Securities such legal opinions, certifications and other informa-
tion as the Company has reasonably requested to confirm that such
transfer is being made pursuant to an exemption from, or in a
transaction not subject to, the registration requirements of the
Securities Act of 1933, such as the exemption provided by Rule
144 under such Act.

Signature

Signature Guarantee:*

_____]]
Signature must be guaranteed Signature

* Signature must be guaranteed by a commercial bank, trust
 company or member firm of the New York Stock Exchange.

[TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED.]

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

NOTICE: To be executed by
 an executive officer]

ELECTION TO CONVERT

To: Continental Airlines, Inc.

The undersigned owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion below designated, into Class B Common Stock of CONTINENTAL AIRLINES, INC. in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Indenture and the Security, agrees to be bound by the terms of the Registration Rights Agreement relating to the Class B Common Stock issuable upon conversion of the Securities.

Date: _____, ____

in whole __

Portions of Security to be converted (or integral multiples thereof): \$_____

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

Signature Guarantee:* _____

* Signature must be guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

EXHIBIT A-2

FORM OF EXCHANGE SECURITY

[FORM OF FACE OF SECURITY]

CONTINENTAL AIRLINES, INC.

8 1/2% Convertible Subordinated
Deferrable Interest Debenture Due 2020

No. _____ \$ _____
CUSIP No. _____

CONTINENTAL AIRLINES, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called "the Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum [indicated on Schedule A hereof]* [of _____ Dollars]** (\$ _____) on December 1, 2020.

Interest Payment Dates: March 1, June 1, September 1 and December 1, commencing March 1, 1996

Regular Record Dates: except as otherwise provided in the Indenture, the close of business on the Business Day next preceding each Interest Payment Date

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

* Applicable to Global Securities only.

** Applicable to certificated Securities only.

IN WITNESS WHEREOF, the Company has caused this instrument to be signed manually or by facsimile by its duly authorized officers and a facsimile of its corporate seal to be affixed hereto or imprinted hereon.

Dated: _____

CONTINENTAL AIRLINES, INC.

By: _____

Name:

Title:

[Seal]

Attest:

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

This is one of the Securities referred to in the
within-mentioned Indenture.

Dated: November 28, 1995

Wilmington Trust Company,
not in its individual
capacity but solely
as Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF SECURITY]

CONTINENTAL AIRLINES, INC.

8 1/2% Convertible Subordinated
Deferrable Interest Debenture Due 2020*

(1) Interest. Continental Airlines, Inc., a Delaware corporation (the "Company"), is the issuer of this 8 1/2% Convertible Subordinated Deferrable Interest Debenture Due 2020 (the "Security") limited in aggregate principal amount to \$231,958,750 (or up to \$266,752,600 if the overallotment option is exercised in full), issued under the Indenture hereinafter referred to. The Company promises to pay interest on the Securities in cash from November 28, 1995 or from the most recent interest payment date to which interest has been paid or duly provided for, quarterly (subject to deferral for up to 20 consecutive quarters as described in Section 3 hereof) in arrears on March 1, June 1, September 1 and December 1 of each year (each such date, an "Interest Payment Date"), commencing March 1, 1996, at the rate of 8 1/2% per annum (subject to increase as provided in Section 13 hereto) plus Additional Interest and Liquidated Damages, if any, until the principal hereof shall have become due and payable.

* All terms used in this Security which are defined in the Indenture or in the Declaration attached as Annex A thereto shall have the meanings assigned to them in the Indenture or the Declaration, as the case may be.

The amount of interest payable for any period will be computed on the basis of twelve 30-day months and a 360-day year.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the rate borne by the Securities, compounded quarterly. Any interest paid on this Security shall be increased to the extent necessary to pay Additional Interest as set forth in this Security.

(2) Additional Interest. The Company shall pay to Continental Airlines Finance Trust (and its permitted successors or assigns under the Declaration) (the "Trust") such additional amounts as may be necessary in order that the amount of dividends or other distributions then due and payable by the Trust on the Preferred Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of any additional taxes, duties, assessments and other governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority.

(3) Extension of Interest Payment Period. The Company shall have the right, at any time during the term of this Security, from time to time to defer payments of interest (including Compounded Interest, Additional Interest and Liquidated Damages, if any) by extending the interest payment period of such Security for up to 20 consecutive quarters (an "Extended Interest Payment Period"). To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to Section 312 of the Indenture, will bear interest thereon at 8 1/2% compounded quarterly for each quarter of the Extended Interest Payment Period, to the extent permitted by applicable law ("Compounded Interest"). At the end of the Extended Interest Payment Period, the Company shall pay all interest then accrued and unpaid on the Securities, including any Compounded Interest that shall be payable to the Holders of the Securities in whose names the Securities are registered in the Security Register on the first Regular Record Date after the end of the Extended Interest Payment Period. Before the termination of any Extended Interest Payment Period, the Company may further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any Extended Interest Payment Period and upon the payment of all Compounded Interest, Additional Interest and Liquidated Damages, if any, then due, the Company may commence a new Extended Interest Payment Period, subject to the foregoing requirements. No interest shall be due and payable during an Extended Interest Payment Period except at the end thereof.

If the Property Trustee is the sole holder of the Securities, the Company shall give the Holder of the Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least one Business Day prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Preferred Securities on the record date or the date such distributions are payable.

If the Property Trustee is not the sole holder of the Securities, the Company shall give the Holders of these Securities and the Trustee notice of its selection of an Extended Interest Payment Period at least ten Business Days prior to the earlier of (i) the Interest Payment Date or (ii) if the Preferred Securities are listed on the New York Stock Exchange or other stock exchange or quotation system, the date the Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Securities on the record date or the date such distributions are payable.

The quarter in which any notice is given pursuant to the second and third paragraphs of this Section 3 shall be counted as one of the 20 quarters permitted in the maximum

Extended Interest Payment Period permitted under the first paragraph of this Section 3.

(4) Method of Payment. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the regular record date for such interest installment, which, except as otherwise provided in the Indenture, shall be the close of business on the Business Day next preceding each Interest Payment Date (the "Regular Record Date"), commencing March 1, 1996. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of and interest on this Security will be made at the office or agency of the Company maintained for that purpose in Wilmington, Delaware or New York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

(5) Paying Agent and Security Registrar. The Trustee will act as Paying Agent, Security Registrar and Conversion Agent. The Company may change any Paying Agent, Security Registrar, co-registrar or Conversion Agent without prior notice.

The Company or any of its Affiliates may act in any such capacity.

(6) Indenture. The Company issued the Securities under an indenture, dated as of November 28, 1995 (the "Indenture"), between the Company and Wilmington Trust Company, not in its individual capacity but solely as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) ("TIA") as in effect on the date of the Indenture. The Securities are subject to, and qualified by, all such terms, certain of which are summarized hereon, and holders are referred to the Indenture and the TIA for a more complete statement of such terms. The Securities are unsecured general obligations of the Company limited to \$231,958,750 in aggregate principal amount (or to \$266,752,600 if the overallotment option is exercised in full) and subordinated in right of payment to all existing and future Senior Indebtedness of the Company. No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Security when due at the times, place and rate, and in the coin or currency, herein prescribed or to convert this Security as provided in the Indenture.

(7) Optional Redemption. The Securities are redeemable, in whole or in part, at the Company's option at any time and from time to time after December 1, 1998, upon not less than 30 or more than 60 days' notice, at the following Redemption Prices, expressed as a percentage of the principal amount of the Securities, if redeemed during the 12-month period beginning December 1 of the applicable year set forth below:

| Year | Percentage of Principal Amount |
|-------------------------------|--------------------------------------|
| 1998. | 105.95% |
| 1999. | 105.10% |
| 2000. | 104.25% |
| 2001. | 103.40% |
| 2002. | 102.55% |
| 2003. | 101.70% |
| 2004. | 100.85% |
| 2005 and thereafter | 100.00% |

plus, in each case, accrued and unpaid interest, including Additional Payments, if any, to the Redemption Date (subject to the right of holders of record on the relevant record date to receive interest due on the Interest Payment Date). From and after the Redemption Date, interest will cease to accrue on the Securities, or portion thereof, called for redemption.

(8) Optional Redemption Upon Tax Event. The Securities are subject to redemption in whole, but not in part, at the Company's option at any time within 90 days, if a Tax Event (as defined in the Declaration) shall occur and be continuing, at a redemption price equal to \$50 per \$50 principal amount thereof plus accrued but unpaid interest, including Additional Interest, if any, to the Redemption Date. Any redemption pursuant to this Section 8 will be made upon not less than 30 nor more than 60 days' notice.

(9) Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Securities to be redeemed at his address of record. The Securities in denominations larger than \$50 may be redeemed in part but only in integral multiples of \$50. In the event of a redemption of less than all of the Securities, the Securities will be chosen for redemption by the Trustee in accordance with the Indenture. On and after the Redemption Date, interest ceases to accrue on the Securities or portions thereof called for redemption.

If this Security is redeemed subsequent to a Regular Record Date with respect to any Interest Payment Date specified above and on or prior to such Interest Payment Date, then any accrued interest will be paid to the person in whose name this Security is registered at the close of business on such record date.

(10) Mandatory Redemption. The Securities will mature on December 1, 2020. There are no sinking fund payments with respect to the Securities.

(11) Subordination. The payment of the principal of, interest on or any other amounts due on the Securities is subordinated and junior in right of payment to all existing and future Senior Indebtedness (as defined below) of the Company, as described in the Indenture. Each holder, by accepting a Security, agrees to such subordination and authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee as its attorney-in-fact for such purpose.

In addition, no payment of principal (including redemption payments) of, premium, if any, or interest (including any Additional Interest, Compounded Interest or Liquidated Damages) on the Securities may be made (i) if any payment of principal, premium, interest or any other payment due on any Designated Senior Indebtedness of the Company is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) if the maturity of any Designated Senior Indebtedness of the Company has been accelerated because of a default.

"Senior Indebtedness" means in respect of the Company (i) the principal, premium, if any, and interest in respect of (A) indebtedness of such obligor for money borrowed and (B) indebtedness evidenced by securities, debentures, bonds or other similar instruments issued by such obligor, (ii) all capital lease obligations of such obligor, (iii) all obligations of such obligor issued or assumed as the deferred purchase price of property, all conditional sale obligations of such obligor and all obligations of such obligor under any title retention agreement (but excluding trade accounts payable arising in the

ordinary course of business), (iv) all obligations of such obligor for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction, (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons for the payment of which such obligor is responsible or liable as obligor, guarantor or otherwise, and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of such obligor (whether or not such obligation is assumed by such obligor), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Securities and (2) any indebtedness between or among such obligor or its Affiliates, including all other debt securities and guarantees in respect of those debt securities, initially issued to any other trust, or a trustee of such trust, partnership, or other entity affiliated with the Company that is, directly or indirectly, a financing vehicle of the Company (a "Financing Entity") in connection with the issuance by such Financing Entity of preferred securities or other securities that rank pari passu with, or junior to, such preferred securities. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

"Designated Senior Indebtedness" means (i) all Senior Indebtedness of the Company outstanding from time to time under agreements between the Company, on the one hand, and General Electric Company, General Electric Capital Corporation, any of their respective direct or indirect subsidiaries, or any affiliates (as such term is defined in Rule 12b-2 under the Exchange Act) of any of the foregoing (each of which is a "GE Party"), or any trust of which any GE Party is a beneficiary, on the other hand, in effect on the original issue date of the Securities, and any renewal, refunding, replacement or extension thereof, and (ii) any Senior Indebtedness of the Company incurred, issued or assumed after the original issue date of the Securities, and any renewal, refunding, replacement or extension thereof.

(12) Conversion. The Holder of any Security has the right, exercisable at any time prior to the close of business (New York time) on the date of the Security's maturity, to convert the principal amount thereof (or any portion thereof that is an integral multiple of \$50) into shares of Class B Common Stock at the initial conversion price of 1.034 shares of Class B Common Stock for each Security (equivalent to a conversion price of \$48.36 per share of Class B Common Stock of the Company), subject to adjustment under certain circumstances, except that if a Security is called for redemption, the conversion right will terminate at the close of business on the Redemption Date.

To convert a Security, a Holder must (1) complete and sign a conversion notice substantially in the form attached hereto, (2) surrender the Security to a Conversion Agent, (3) furnish appropriate endorsements or transfer documents if required by the Security Registrar or Conversion Agent and (4) pay any transfer or similar tax, if required. Upon conversion, no adjustment or payment will be made for interest or dividends, but if any Holder surrenders a Security for conversion after the close of business on the Regular Record Date for the payment of an installment of interest and prior to the opening of business on the next Interest Payment Date, then, notwithstanding such conversion, the interest payable on such Interest Payment Date will be paid to the registered Holder of such Security on such Regular Record Date. In such event, such Security, when surrendered for conversion, need not be accompanied by payment of an amount equal to the interest payable on such Interest Payment Date on the portion so converted. The number of shares issuable upon conversion of a Security is determined by dividing the principal amount of the Security converted by the conversion price in effect on the Conversion Date. No fractional shares will be issued upon conversion but a cash adjustment will be made for any fractional interest. The outstanding principal amount of any Security shall be reduced by the portion of the principal amount thereof converted into shares of Common Stock.

(13) Registration, Transfer, Exchange and Denominations. As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or

agency of the Company in New York, New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of \$50 and integral multiples thereof. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary. In the event of redemption or conversion of this Security in part only, a new Security or Securities for the unredeemed or unconverted portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

(14) Persons Deemed Owners. The registered Holder of a Security may be treated as its owner for all purposes.

(15) Unclaimed Money. If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent shall pay the money back to the Company at its written request. After that, holders of Securities entitled to the money must look to the Company for payment unless an abandoned property law designates another Person and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

(16) Defaults and Remedies. The Securities shall have the Events of Default as set forth in Section 501 of the Indenture. Subject to certain limitations in the Indenture, if an Event of Default occurs and is continuing, the Trustee by notice to the Company or the holders of at least 25% in aggregate principal amount of the then outstanding Securities by notice to the Company and the Trustee may declare all the Securities to be due and payable immediately.

The holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Securities issued under the Indenture may direct the Trustee in its exercise of any trust or power. The Company must furnish annually compliance certificates to the Trustee. The above description of Events of Default and remedies is qualified in its entirety by reference to, and subject to, the more complete description thereof contained in the Indenture.

(17) Amendments, Supplements and Waivers. The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made

upon this Security.

(18) Trustee Dealings with the Company. The Trustee, in its individual or any other capacity may become the owner or pledgee of the Securities and may otherwise deal with the Company or an Affiliate with the same rights it would have, as if it were not Trustee, subject to certain limitations provided for in the Indenture and in the TIA. Any Agent may do the same with like rights.

(19) No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder of the Securities by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

(20) Governing Law. THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(21) Authentication. The Securities shall not be valid until authenticated by the manual signature of an authorized officer of the Trustee.

(22) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

The Company will furnish to any Holder of the Securities upon written request and without charge a copy of the Indenture. Request may be made to:

Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attn: General Counsel

ASSIGNMENT FORM

To assign this Security, fill in the form below:

(I) or (we) assign and transfer this Security to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
agent to transfer this Security on the books of the Company. The
agent may substitute another to act for him.

Your Signature: _____
(Sign exactly as your name appears on the other
side of this Security)

Date: _____

Signature Guarantee:* _____

* Signature must be guaranteed by a commercial bank, trust
company or member firm of the New York Stock Exchange.

ELECTION TO CONVERT

To: Continental Airlines, Inc.

The undersigned owner of this Security hereby irrevocably exercises the option to convert this Security, or the portion below designated, into Class B Common Stock of CONTINENTAL AIRLINES, INC. in accordance with the terms of the Indenture referred to in this Security, and directs that the shares issuable and deliverable upon conversion, together with any check in payment for fractional shares, be issued in the name of and delivered to the undersigned, unless a different name has been indicated in the assignment below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Any holder, upon the exercise of its conversion rights in accordance with the terms of the Indenture and the Security, agrees to be bound by the terms of the Registration Rights Agreement relating to the Class B Common Stock issuable upon conversion of the Securities.

Date: _____, ____

in whole __

Portions of Security to be converted (\$50 or integral multiples thereof):
\$ _____

Signature (for conversion only)

Please Print or Typewrite Name and Address, Including Zip Code, and Social Security or Other Identifying Number

Signature Guarantee:* _____

* Signature must be guaranteed by a commercial bank, trust company of member firm of the New York Stock Exchange.

ANNEX A

AMENDED AND RESTATED
DECLARATION OF TRUST

(Filed as Exhibit 4.2 to this Registration Statement)

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PREFERRED SECURITIES GUARANTEE AGREEMENT

CONTINENTAL AIRLINES, INC.

Dated as of November 28, 1995

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PREFERRED SECURITIES GUARANTEE AGREEMENT

This PREFERRED SECURITIES GUARANTEE AGREEMENT (the "Preferred Securities Guarantee"), dated as of November 28, 1995, is executed and delivered by Continental Airlines, Inc., a Delaware corporation (the "Guarantor"), and Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity but solely as trustee (the "Preferred Guarantee Trustee") for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of Continental Airlines Finance Trust, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of November 28, 1995, among the trustees of the Issuer named therein, the Guarantor, as Sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof 4,500,000 preferred securities, having an aggregate stated liquidation amount of \$225,000,000, designated the 8 1/2% Convertible Trust Originated Preferred Securities (and may issue up to an additional 675,000 Convertible Trust Originated Preferred Securities, having an aggregate liquidation amount of \$33,750,000, solely to cover over-allotments) (collectively the "Preferred Securities");

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Preferred Securities Guarantee, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein; and

WHEREAS, the Guarantor is also executing and delivering a common securities guarantee agreement (the "Common Securities Guarantee") in substantially identical terms to this Preferred Securities Guarantee for the benefit of the holders of the Common Securities (as defined herein), except that if an Event of Default (as defined in the Indenture (as defined herein)) has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments under the Common Securities Guarantee are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments under this Preferred Securities Guar-

antee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Preferred Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Preferred Securities Guarantee for the benefit of the Holders.

ARTICLE I
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation.

In this Preferred Securities Guarantee, unless the context otherwise requires:

- (a) Capitalized terms used in this Preferred Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) a term defined anywhere in this Preferred Securities Guarantee has the same meaning throughout;
- (c) all references to "the Preferred Securities Guarantee" or "this Guarantee" are to this Preferred Securities Guarantee as modified, supplemented or amended from time to time;
- (d) all references in this Preferred Securities Guarantee to Articles and Sections are to Articles and Sections of this Preferred Securities Guarantee unless otherwise specified;
- (e) a term defined in the Trust Indenture Act has the same meaning when used in this Preferred Securities Guarantee unless otherwise defined in this Preferred Securities Guarantee or unless the context otherwise requires; and
- (f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Common Securities" means the convertible common securities representing common undivided beneficial interests in the assets of the Issuer.

"Covered Person" means any Holder or beneficial owner of Preferred Securities.

"Debentures" means the series of convertible subordinated debt securities of the Guarantor designated the 8 1/2% Convertible Subordinated Deferrable Interest Debentures Due 2020 held by the Property Trustee of the Issuer.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Preferred Securities Guarantee.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions (as defined in the Declaration) that are required to be paid on such Preferred Securities to the extent the Issuer shall have funds available therefor, (ii) the amount payable upon redemption to the extent the Issuer has funds available therefor, with respect to any Preferred Securities called for redemption by the Issuer,

and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Preferred Securities as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Preferred Securities to the date of payment, to the extent the Issuer shall have funds available therefor, and (b) the amount of assets of the Issuer remaining available for distribution to Holders upon liquidation of the Issuer (in either case, the "Liquidation Distribution"). If an event of default under the Indenture has occurred and is continuing, the rights of holders of the Common Securities to receive payments under the Common Securities Guarantee are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments.

"Holder" shall mean any holder, as registered on the books and records of the Issuer of any Preferred Securities; provided, however, that, in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Preferred Guarantee Trustee, any Affiliate of the Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives or agents of the Preferred Guarantee Trustee.

"Indenture" means the Indenture dated as of November 28, 1995, among the Guarantor (the "Debenture Issuer") and Wilmington Trust Company, not in its individual capacity but solely as trustee, and any indenture supplemental thereto pursuant to which the Debentures are to be issued to the Property Trustee of the Issuer.

"Majority in liquidation amount of the Securities" means, except as provided by the Trust Indenture Act, Holders of Preferred Securities, voting separately as a class, representing more than 50% of the stated liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Preferred Securities then outstanding.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Preferred Securities Guarantee shall include:

(a) a statement that each officer signing the Certificate has read the covenant or condition and the definition relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Guarantee Trustee" means Wilmington Trust Company not in its individual capacity but solely as trustee until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Preferred Securities Guarantee and thereafter means each such Successor Preferred Guarantee Trustee.

"Responsible Officer" means, with respect to the Preferred Guarantee Trustee, the chairman of the board of directors, the president, any vice-president, any assistant vice-president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any trust officer or assistant trust officer or any other officer of the Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Preferred Guarantee Trustee" means a successor Preferred Guarantee Trustee possessing the qualifications to act as Preferred Guarantee Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

ARTICLE II TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.

(a) This Preferred Securities Guarantee is subject to the provisions of the Trust Indenture Act that are required to be part of this Preferred Securities Guarantee, which are incorporated by reference herein, and shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Preferred Securities Guarantee limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.2 Lists of Holders of Securities.

(a) The Guarantor shall provide the Preferred Guarantee Trustee (i) within 14 days after January 1 and June 30 of each year, a list, in such form as the Preferred Guarantee Trustee may reasonably require, of the names and addresses of the Holders of the Preferred Securities ("List of Holders") as of such date, provided that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Preferred Guarantee Trustee by the Guarantor, and (ii) at any other time, within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Preferred Guarantee Trustee. The Preferred Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Preferred Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Preferred Guarantee Trustee.

Within 60 days after May 15 of each year, the Preferred Guarantee Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Preferred Guarantee Trustee

shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Preferred Guarantee Trustee.

The Guarantor shall provide to the Preferred Guarantee Trustee such documents, reports and information (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.

The Guarantor shall provide to the Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Preferred Securities Guarantee which relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act may be given in the form of an Officers' Certificate.

SECTION 2.6 Events of Default; Waiver.

The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of the Holders of all of the Preferred Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Preferred Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7 Event of Default; Notice.

(a) The Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Preferred Securities, notices of all Events of Default known to the Preferred Guarantee Trustee, unless such defaults have been cured before the giving of such notice, provided, that the Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Preferred Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Preferred Securities.

(b) The Preferred Guarantee Trustee shall not be deemed to have knowledge of any Event of Default except any Event of Default as to which the Preferred Guarantee Trustee shall have received written notice or a Responsible Officer charged with the administration of the Declaration shall have obtained written notice.

SECTION 2.8 Conflicting Interests.

The Declaration shall be deemed to be specifically described in this Preferred Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III
POWERS, DUTIES AND RIGHTS OF
PREFERRED GUARANTEE TRUSTEE

SECTION 3.1 Powers and Duties of the Preferred Guarantee Trustee.

(a) This Preferred Securities Guarantee shall be held by the Preferred Guarantee Trustee for the benefit of the Holders of the Preferred Securities, and the

Preferred Guarantee Trustee shall not transfer this Preferred Securities Guarantee to any Person except a Holder of Preferred Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Preferred Guarantee Trustee on acceptance by such Successor Preferred Guarantee Trustee of its appointment to act as Successor Preferred Guarantee Trustee. The right, title and interest of the Preferred Guarantee Trustee shall automatically vest in any Successor Preferred Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Preferred Guarantee Trustee.

(b) If an Event of Default has occurred and is continuing, the Preferred Guarantee Trustee shall enforce this Preferred Securities Guarantee for the benefit of the Holders of the Preferred Securities.

(c) The Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Preferred Securities Guarantee, and no implied covenants shall be read into this Preferred Securities Guarantee against the Preferred Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Preferred Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Preferred Securities Guarantee shall be construed to relieve the Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Preferred Guarantee Trustee shall be determined solely by the express provisions of this Preferred Securities Guarantee, and the Preferred Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Preferred Securities Guarantee, and no implied covenants or obligations shall be read into this Preferred Securities Guarantee against the Preferred Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Preferred Guarantee Trustee, the Preferred Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Preferred Guarantee Trustee and conforming to the requirements of this Preferred Securities Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Preferred Guarantee Trustee, the Preferred Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Preferred Securities Guarantee;

(ii) the Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Preferred Guarantee Trustee, unless it shall be proved that the Preferred Guarantee

Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Preferred Securities at the time outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee; and

(iv) no provision of this Preferred Securities Guarantee shall require the Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Preferred Securities Guarantee or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 3.2 Certain Rights of Preferred Guarantee Trustee.

(a) Subject to the provisions of Section 3.1:

(i) The Preferred Guarantee Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Preferred Securities Guarantor contemplated by this Preferred Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever, in the administration of this Preferred Securities Guarantee, the Preferred Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Preferred Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor;

(iv) the Preferred Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or re-registration thereof);

(v) the Preferred Guarantee Trustee may consult with counsel, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of the Guarantor's employees.

The Preferred Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(vi) the Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Preferred Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Preferred Guarantee Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Preferred Guarantee Trustee; provided, that nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Preferred Securities Guarantee;

(vii) the Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Preferred Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Preferred Guarantee Trustee or its agents hereunder shall bind the Holders of the Preferred Securities, and the signature of the Preferred Guarantee Trustee or its agent alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Preferred Securities Guarantee, both of which shall be conclusively evidenced by the Preferred Guarantee Trustee's or its agent's taking such action; and

(x) whenever in the administration of this Preferred Securities Guarantee the Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Preferred Guarantee Trustee (i) may request instructions from the Holders of the Preferred Securities or the Guarantor, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions.

(b) No provision of this Preferred Securities Guarantee shall be deemed to impose any duty or obligation on the Preferred Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obliga-

tion conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Preferred Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Preferred Guarantee Trustee shall be construed to be a duty.

SECTION 3.3. Not Responsible for Recitals
or Issuance of Guarantee.

The recitals contained in this Preferred Securities Guarantee shall be taken as the statements of the Guarantor, and the Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Preferred Guarantee Trustee makes no representations as to the validity or sufficiency of this Preferred Securities Guarantee.

ARTICLE IV
PREFERRED GUARANTEE TRUSTEE

SECTION 4.1 Preferred Guarantee Trustee; Eligibility.

(a) There shall at all times be a Preferred Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Preferred Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Preferred Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation
of Preferred Guarantee Trustee.

(a) Subject to Section 4.2(b), the Preferred Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) The Preferred Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor.

(c) The Preferred Guarantee Trustee appointed to office shall hold office until a Successor Preferred Guarantee Trustee shall have been appointed or until its removal or resignation. The Preferred Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Preferred Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Preferred Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Preferred Guarantee Trustee and delivered to the Guarantor and the resigning Preferred Guarantee Trustee.

(d) If no Successor Preferred Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Preferred Guarantee Trustee may petition any court of competent jurisdiction for such appointment of a Successor Preferred Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Preferred Guarantee Trustee.

ARTICLE V GUARANTEE

SECTION 5.1 Guarantee.

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2 Subordination.

If an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of Holders of the Common Securities to receive Guarantee Payments under the Common Securities Guarantee are subordinated to the rights of Holders of Preferred Securities to receive Guarantee Payments under this Preferred Securities Guarantee.

SECTION 5.3 Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of this Preferred Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.4 Obligations Not Affected.

The obligations, covenants, agreements and duties of the Guarantor under this Preferred Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, the amount payable upon redemption, Liquidation Distribution or any othersums payable under the terms of the

Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, the amount payable upon redemption, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.4 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders or any other Person to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.5 Rights of Holders.

(a) The Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Preferred Guarantee Trustee in respect of this Preferred Securities Guarantee or exercising any trust or power conferred upon the Preferred Guarantee Trustee under this Preferred Securities Guarantee.

(b) If the Preferred Guarantee Trustee fails to enforce this Preferred Securities Guarantee, any Holder of Preferred Securities may institute a legal proceeding directly against the Guarantor to enforce the Preferred Guarantee Trustee's rights under this Preferred Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Preferred Guarantee Trustee or any other Person.

SECTION 5.6 Guarantee of Payment.

This Preferred Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.7 Subrogation.

The Guarantor shall be subrogated to all (if any) rights of the Holders of Preferred Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Preferred Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Preferred Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Preferred Securities Guarantee. If any amount shall be paid to the

Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.8 Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Preferred Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Preferred Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.4 hereof.

SECTION 5.9 Conversion.

The Guarantor acknowledges its obligation to issue and deliver shares of its Class B common stock, \$.01 par value per share, upon the conversion of the Preferred Securities.

ARTICLE VI LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 6.1 Limitation of Transactions.

So long as any Preferred Securities remain outstanding, if there shall have occurred an Event of Default, an event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default under the Indenture or a selection by the Guarantor of an Extended Interest Payment Period as provided in the Indenture and such period, or any extension thereof, shall be continuing, then the Guarantor shall not (a) declare or pay any dividend on, or make any distribution with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock, except for dividends or distributions in shares of the Guarantor's capital stock of the same class as that on which such dividend or distribution is being paid and conversions or exchanges of common stock of one class into common stock of another class, or (b) make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities issued by the Guarantor that rank pari passu with or junior to the Debentures (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Guarantor or any of its subsidiaries).

SECTION 6.2 Ranking.

This Preferred Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, except any liabilities that may be made pari passu expressly by their terms, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor, which, as of the date hereof, is limited to the Series A 12% Cumulative Preferred Stock of the Guarantor, and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock or Preferred Security of any Affiliate of the Guarantor, and (iii) senior to all classes of the Guarantor's common stock.

ARTICLE VII TERMINATION

SECTION 7.1 Termination.

This Preferred Securities Guarantee shall terminate as to each Holder upon (i) full payment of the amount payable upon redemption of such holder's Preferred

Securities, (ii) the distribution of the Guarantor's Class B common stock to such Holder in respect of the conversion of such Holder's Preferred Securities into the Guarantor's Class B common stock or (iii) the distribution of the Debentures to the Holders of all of the Preferred Securities, and will terminate completely upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Preferred Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Preferred Securities must restore payment of any sums paid under the Preferred Securities or under this Preferred Securities Guarantee.

ARTICLE VIII INDEMNIFICATION

SECTION 8.1 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Preferred Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Preferred Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Preferred Securities might properly be paid.

SECTION 8.2 Indemnification.

(a) To the fullest extent permitted by applicable law, the Guarantor shall indemnify and hold harmless each Indemnified Person from and against any loss, damage or claim incurred by such Indemnified Person by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Preferred Securities Guarantee and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person in accordance with this Preferred Securities Guarantee, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct with respect to such acts or omissions.

(b) To the fullest extent permitted by applicable law, expenses (including legal fees and expenses) incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Guarantor prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Guarantor of an undertaking by or on behalf of the Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified as authorized in Section 8.2(a).

ARTICLE IX
MISCELLANEOUS

SECTION 9.1 Successors and Assigns.

All guarantees and agreements contained in this Preferred Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding. Except in connection with any permitted merger or consolidation of the Guarantor with or into another entity or any permitted sale, transfer or lease of the Guarantor's assets to another entity, the Guarantor may not assign its rights or delegate its obligations under the Preferred Securities Guarantee without the prior approval of the Holders of at least 66-2/3% of the aggregate stated liquidation amount of the Preferred Securities then outstanding.

SECTION 9.2 Amendments.

Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Preferred Securities Guarantee may only be amended with the prior approval of the Holders of at least 66-2/3% in aggregate stated liquidation amount of all the outstanding Preferred Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 9.3 Notices.

All notices provided for in this Preferred Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) If given to the Preferred Guarantee Trustee, at the Preferred Guarantee Trustee's mailing address set forth below (or such other address as the Preferred Guarantee Trustee may give notice of to the Holders of the Preferred Securities):

Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Administration

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Preferred Securities):

Continental Airlines, Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019
Attention: General Counsel

(c) If given to any Holder of Preferred Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.4 Benefit.

This Preferred Securities Guarantee is solely for the benefit of the Holders of the Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Preferred Securities.

SECTION 9.5 Governing Law.

THIS PREFERRED SECURITIES GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

THIS PREFERRED SECURITIES GUARANTEE is executed as of the day and year first above written.

CONTINENTAL AIRLINES,
INC.,
as Guarantor

By: _____
Name:
Title:

Wilmington Trust Company,
not in its individual
capacity but solely as
Preferred Guarantee Trustee

By: _____
Name:
Title:

CONTINENTAL AIRLINES FINANCE TRUST

8% Convertible Trust Originated Preferred Securitiessm
 ("Convertible TOPsm")
 guaranteed by and convertible into shares of
 Class B Common Stock of Continental Airlines, Inc.

REGISTRATION RIGHTS AGREEMENT

November 28, 1995

MERRILL LYNCH & CO.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

CS FIRST BOSTON CORPORATION

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

SMITH BARNEY INC.

As representatives of the several Initial Purchasers

c/o MERRILL LYNCH & CO.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Merrill Lynch World Headquarters

North Tower

World Financial Center

New York, New York 10281-1305

Ladies and Gentlemen:

Continental Airlines Finance Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust") by Continental Airlines, Inc., a Delaware corporation ("Continental"), proposes to issue and sell to the Initial Purchasers named in the Purchase Agreement referred to below (the "Initial Purchasers"), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, CS First Boston Corporation, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives

sm "Convertible Trust Originated Preferred Securities" and "Convertible TOPsm" are service marks of Merrill Lynch & Co. Inc.

(the "Representatives"), upon the terms set forth in a purchase agreement dated November 21, 1995 (the "Purchase Agreement"), among the Initial Purchasers, Continental and the Trust, 8% Convertible Trust Originated Preferred Securitiessm (liquidation amount \$50 per Convertible Trust Originated Preferred Securitysm) (the "Preferred Securities"). As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the obligations of the Initial Purchasers thereunder, the Trust and Continental agree with you, (i) for the benefit of the Initial Purchasers and (ii) for the benefit of the holders from time to time of the Preferred Securities, the 8% Convertible Subordinated Deferrable Interest Debentures Due 2020 (the "Debentures") and the Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock"), of Continental initially issuable upon conversion of the Preferred Securities or the Debentures (collectively, together with the Guarantee of Continental of the Preferred Securities, the "Registrable Securities"), including the Initial Purchasers (each of the foregoing a "Holder" and together the "Holders"), as follows:

1. DEFINITIONS. Capitalized terms used herein without definition shall have their respective meanings set forth in or pursuant to the Purchase Agreement or the Confidential Offering Memorandum dated November 21, 1995, in respect of the Preferred Securities. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"Act" or "Securities Act" means the Securities Act of 1933, as amended.

"Affiliate" of any specified person means any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with such specified person. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Commission" means the Securities and Exchange Commission.

"DTC" means The Depository Trust Company.

"Effectiveness Period" has the meaning set forth in Section 2(b) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Managing Underwriters" means the investment banker or investment bankers and manager or managers that shall administer an underwritten offering, if any, as set forth in Section 6 hereof.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Prospectus" means the prospectus included in any Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities.

"Shelf Registration" means a registration effected pursuant to Section 2 hereof.

"Shelf Registration Statement" means a "shelf" registration statement of the Trust and Continental pursuant to the provisions of Section 2 hereof filed with the Commission which covers some or all of the Registrable Securities, as applicable, on an appropriate form under Rule 415 under the Act, or any similar rule that may be adopted by the Commission, amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"underwriter" means any underwriter of Registrable Securities in connection with an offering thereof under a Shelf Registration Statement.

2. SHELF REGISTRATION. (a) The Trust and Continental shall, within 180 days following the date of original issuance (the "Issue Date") of the Preferred Securities, file with the Commission a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement and, thereafter, shall each use its best efforts to cause such Shelf Registration Statement to be declared effective under the Act within 60 calendar days after the date of filing of such Shelf Registration Statement; provided, however, that no Holder shall be entitled to have the Registrable Securities held by it covered by such Shelf Registration unless such Holder is in compliance with Section 3(m) hereof.

(b) The Trust and Continental shall each use its best efforts (i) to keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming part thereof to be usable by Holders for a period of three years from the date the Shelf Registration Statement is

declared effective or such shorter period that will terminate upon the earlier of the following: (A) when all the Preferred Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement, (B) when all Debentures issued to Holders in respect of Preferred Securities that had not been sold pursuant to the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement, (C) when all shares of Class B Common Stock issued upon conversion of any such Preferred Securities or any such Debentures that had not been sold pursuant to the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement and (D) when, in the written opinion of counsel to the Trust and Continental, all outstanding Registrable Securities held by persons that are not affiliates of the Trust or Continental may be resold without registration under the Act pursuant to Rule 144(k) under the Act or any successor provision thereto (in any such case, such period being called the "Effectiveness Period") and (ii) after the effectiveness of the Shelf Registration Statement, promptly upon the request of any Holder to take any action reasonably necessary to register the sale of any Registrable Securities of such Holder and to identify such Holder as a selling securityholder. The Trust and Continental shall be deemed not to have used their best efforts to keep the Shelf Registration Statement effective during the requisite period if either the Trust or Continental voluntarily takes any action that would result in Holders of Registrable Securities covered thereby not being able to offer and sell any such Registrable Securities during that period, unless (i) such action is required by applicable law, (ii) upon the occurrence of any event contemplated by paragraph 3(c)(2)(iii) below, and such action is taken by the Trust or Continental in good faith and for valid business reasons or (iii) the continued effectiveness of the Shelf Registration Statement would require Continental to disclose a material financing, acquisition or other corporate transaction, and the Board of Directors shall have determined in good faith that such disclosure is not in the best interests of Continental and its stockholders, and, in the case of clause (i) or (ii) above, the Trust and Continental thereafter promptly comply with the requirements of paragraph 3(i) below.

3. REGISTRATION PROCEDURES. In connection with any Shelf Registration Statement, the following provisions shall apply:

(a) The Trust and Continental shall furnish to the Initial Purchasers, prior to the filing thereof with the Commission, a copy of any Shelf Registration Statement, and each amendment thereof and each amendment or supplement, if any, to the Prospectus included therein and shall each use its best efforts to reflect in each such document, when so filed with the Commission, such comments as the Initial Purchasers reasonably may propose.

(b) The Trust and Continental shall take such action as may be necessary so that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference in each case) complies in all material respects with the Securities Act and the Exchange Act and the respective rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any amendment or supplement to such Prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

(c) (1) Continental shall advise the Initial Purchasers and, in the case of clause (i), the Holders and, if requested by the Initial Purchasers or any such Holder, confirm such advice in writing:

(i) when a Shelf Registration Statement and

any

amendment thereto has been filed with the Commission and when the Shelf Registration Statement or any post-effective amendment thereto has become effective; and

(ii) of any request by the Commission for amendments or supplements to the Shelf Registration Statement or the Prospectus included therein or for additional information.

(2) Continental shall advise the Initial Purchasers and the Holders and, if requested by the Initial Purchasers or any such Holder, confirm such advice in writing of:

stop

(i) the issuance by the Commission of any

order suspending effectiveness of the Shelf Registration Statement or the initiation of any proceedings for that purpose;

of

(ii) the receipt by the Trust or Continental

any notification with respect to the suspension of the qualification of the securities included therein for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(iii) the happening of any event that requires the making of any changes in the Shelf Registration Statement or the Prospectus so that, as of such date, the Shelf Registration Statement and the Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made).

(d) Continental shall use its best efforts to prevent the issuance, and if issued to obtain the withdrawal, of any order suspending the effectiveness of any Shelf Registration Statement at the earliest possible time.

(e) The Trust and Continental shall furnish to each Holder of Registrable Securities included within the coverage of any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all reports, other documents and exhibits (including those incorporated by reference).

(f) The Trust and Continental shall, during the Effectiveness Period, deliver to each Holder of Registrable Securities included within the coverage of any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request; and each of the Trust and Continental consents (except upon and during the continuance of any event described in paragraph 3(c)(2)(iii) above) to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto during the Shelf Registration Period.

(g) Prior to any offering of Registrable Securities pursuant to any Shelf Registration Statement, the Trust and Continental shall register or qualify or cooperate with the Holders of Registrable Securities included therein and their respective counsel in connection with

the registration or qualification of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions as any such Holders reasonably request in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Registrable Securities covered by such Shelf Registration Statement; provided, however, that in no event shall the Trust or Continental be obligated to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Section 3(g), (ii) file any general consent to service of process in any jurisdiction where it is not as of the date hereof then so subject or (iii) subject itself to taxation in any such jurisdiction if it is not so subject.

(h) Unless any Registrable Securities shall be in book-entry only form, the Trust and Continental shall cooperate with the Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to any Shelf Registration Statement free of any restrictive legends and in such permitted denominations and registered in such names as Holders may request in connection with the sale of Registrable Securities pursuant to such Shelf Registration Statement.

(i) Upon the occurrence of any event contemplated by paragraph 3(c)(2)(iii) above, the Trust and Continental shall promptly prepare a post-effective amendment to any Shelf Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Trust or Continental notifies the Holders of the occurrence of any event contemplated by paragraph 3(c)(2)(iii) above, the Holders shall suspend the use of the Prospectus until the requisite changes to the Prospectus have been made.

(j) Not later than the effective date of any Shelf Registration Statement hereunder, the Trust and Continental shall provide a CUSIP number for the Preferred Securities registered under such Shelf Registration Statement; in the event of and at the time of any distribution of the Debentures to Holders, Continental shall provide a CUSIP number for the Debentures and provide the applicable trustee with certificates for such Registrable Securities, in a form eligible for deposit with DTC.

(k) The Trust and Continental shall use their best efforts to comply with all applicable rules and regulations of the Commission and shall make generally available to their security holders or otherwise provide in accordance with Section 11(a) of the Securities Act as soon as practicable after the effective date of the applicable Shelf Registration Statement an earnings statement satisfying the provisions of Section 11(a) of the Securities Act.

(l) The Trust and Continental shall cause the Indenture, the Declaration and the Preferred Securities Guarantee Agreement to be qualified under the Trust Indenture Act in a timely manner.

(m) The Trust and Continental may require each Holder of Registrable Securities to be sold pursuant to any Shelf Registration Statement to furnish to the Trust and Continental such information regarding the Holder and the distribution of such Registrable Securities as the Trust and Continental may from time to time reasonably require for inclusion in such Shelf Registration Statement and Continental and the Trust may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within a reasonable time

after receiving such request.

(n) The Trust and Continental shall, if requested, promptly include or incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement, such information as the Managing Underwriters reasonably agree should be included therein and to which the Trust and Continental do not reasonably object and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after they are notified of the matters to be included or incorporated in such Prospectus supplement or post-effective amendment.

(o) The Trust and Continental shall enter into such customary agreements (including underwriting agreements in customary form) to take all other appropriate actions in order to expedite or facilitate the registration or the disposition of the Registrable Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures substantially identical to those set forth in Section 5 (or such other provisions and procedures acceptable to the Managing Underwriters, if any) with respect to all parties to be indemnified pursuant to Section 5.

(p) The Trust and Continental shall (i) make reasonably available for inspection by the Holders of Registrable Securities to be registered thereunder, any underwriter participating in any disposition pursuant to such Shelf Registration Statement, and any attorney, accountant or other agent retained by such Holders or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Trust and Continental and its subsidiaries; (ii) cause Continental's officers, directors and employees and the Regular Trustees to make reasonably available for inspection all relevant information reasonably requested by such Holders or any such underwriter, attorney, accountant or agent in connection with any such Shelf Registration Statement, in each case as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Trust and Continental, in good faith, as confidential at the time of delivery of such information shall be kept confidential by such Holders or any such underwriter, attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; and provided further that the foregoing inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Holders and other parties; (iii) make such representations and warranties to the Holders of Registrable Securities registered thereunder and the underwriters, if any, in form, substance and scope as are customarily made by Continental and the Trust to underwriters in primary underwritten offerings and covering matters including, but not limited to, those set forth in the Purchase Agreement; (iv) obtain opinions of counsel to the Trust and Continental (who may be the general counsel of Continental) and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Managing Underwriters, if any) in customary form addressed to each selling Holder and the underwriters, if any, covering such matters as are customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters (it being agreed that the matters to be covered by such opinion or a written statement by such counsel delivered in connection with such opinions shall include, without limitation, as of the date of the opinion and as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or

supplemented, including the documents incorporated by reference therein, of an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (v) obtain "cold comfort" letters and updates thereof from the independent public accountants of Continental (and, if necessary, any other independent public accountants of any subsidiary of Continental or of any business acquired by Continental for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each such Holder of Registrable Securities registered thereunder and the underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and (vi) deliver such other customary documents and certificates as may be reasonably requested by any such Holders and the Managing Underwriters, if any, including those to evidence compliance with Section 3(i) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Trust and Continental. The foregoing actions set forth in clauses (iii), (iv), (v) and (vi) of this Section 3(p) shall be performed at each closing under any underwritten offering to the extent required thereunder.

(q) The Trust and Continental will each use its best efforts to cause the Preferred Securities and the Class B Common Stock issuable upon conversion thereof to be listed on the New York Stock Exchange on or prior to the effective date of any Shelf Registration Statement hereunder.

(r) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Registrable Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Rules of Fair Practice and the By-Laws of the National Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of such Registrable Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, assist such broker-dealer in complying with the requirements of such Rules and By-Laws, including, without limitation, by (A) if such Rules or By-Laws, including Schedule E thereto, shall so require, engaging a "qualified independent underwriter" (as defined in Schedule E) to participate in the preparation of the Shelf Registration Statement relating to such Registrable Securities and to exercise usual standards of due diligence in respect thereto, (B) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (C) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules of Fair Practice of the NASD.

(s) The Trust and Continental shall use their best efforts to take all other steps necessary to effect the registration, offering and sale of the Registrable Securities covered by the Shelf Registration Statement contemplated hereby.

4. REGISTRATION EXPENSES. Except as otherwise provided in Section 6, Continental shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and shall bear or reimburse the Holders for the reasonable fees and disbursements of one firm of counsel designated by Continental and reasonably acceptable to the Holders of a majority of the Registrable Securities covered by the Shelf Registration Statement to act as counsel therefor in connection therewith.

5. INDEMNIFICATION AND CONTRIBUTION. (a) In connection with any Shelf Registration Statement, Continental shall indemnify and hold harmless the Trust, the Initial Purchasers, each Holder, each underwriter who participates in an offering of Registrable Securities, each person, if any, who controls any of such parties within the meaning of Section 15

of the Securities Act or Section 20 of the Exchange Act and each of their respective directors, officers, employees, trustees and agents, as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, including any amounts paid in settlement of any investigation, litigation, proceeding or claim, joint or several, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any Shelf Registration Statement (or any amendment thereto) covering Registrable Securities, including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that Continental shall not be liable under this clause (i) for any settlement of any action effected without its written consent, which consent shall not be unreasonably withheld; and

(ii) against any and all expenses whatsoever, as incurred (including reasonable fees and disbursements of counsel chosen by the Holders, such Holder or any underwriter (except to the extent otherwise expressly provided in Section 5(c) hereof)), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any court or governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under subparagraph (i) of this Section 5(a);

provided that this indemnity shall not apply to any loss, liability, claim, damage or expense to the extent arising out of an untrue statement or omission or alleged untrue statement or omission (i) made in reliance upon and in conformity with written information furnished to the Trust or Continental by the Initial Purchasers, such Holder or any underwriter in writing expressly for use in the Shelf Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto) or (ii) contained in any preliminary prospectus if the Initial Purchasers, such Holder or such underwriter failed to send or deliver a copy of the Prospectus (or any amendment or supplement thereto) to the Person asserting such losses, claims, damages or liabilities on or prior to the delivery of written confirmation of any sale of securities covered thereby to such Person in any case where such Prospectus (or any amendment or supplement thereto) corrected such untrue statement or omission. Any amounts advanced by Continental to an indemnified party pursuant to this Section 5 as a result of such losses shall be returned to Continental if it shall be finally determined by such a court in a judgment not subject to appeal or final review that such indemnified party was not entitled to indemnification by Continental.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless the Trust, Continental, the Initial Purchasers, each underwriter who participates in an offering of Registrable Securities and the other selling Holders and each of their respective directors, officers (including each officer of Continental who signed the Shelf Registration Statement), employees, trustees and agents and each Person, if any, who controls the Trust, Continental, the Initial Purchasers, any underwriter or any other selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in Section 5(a) hereof, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Shelf Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to

Continental by such selling Holder expressly for use in the Shelf Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto); provided, however, that, no such Holder shall be liable for any claims hereunder in excess of the amount of net proceeds received by such Holder from the sale of Registrable Securities pursuant to the Shelf Registration Statement.

(c) Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, enclosing a copy of all papers served on such indemnified party, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have other than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of any such action. If an indemnifying party so elects within a reasonable time after receipt of such notice, such indemnifying party, jointly with any other indemnifying party, may assume the defense of such action with counsel chosen by it and approved by the indemnified party or parties defendant in such action, provided that if any such indemnified party reasonably determines that there may be legal defenses available to such indemnified party which are different from or in addition to those available to such indemnifying party or that representation of such indemnifying party and any indemnified party by the same counsel would present a conflict of interest, then such indemnifying party or parties shall not be entitled to assume such defense. If an indemnifying party is not entitled to assume the defense of such action as a result of the proviso to the preceding sentence, counsel for such indemnifying party shall be entitled to conduct the defense of such indemnifying party and counsel for each indemnified party or parties shall be entitled to conduct the defense of such indemnified party or parties. If an indemnifying party assumes the defense of an action in accordance with and as permitted by the provisions of this paragraph, such indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying party or parties be liable for the fees and expenses of more than one counsel (in addition to any local counsel) separate from its own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provision agreement provided for in this Section 5 is for any reason held to be unavailable to the indemnified parties although applicable in accordance with its terms, Continental, the Initial Purchasers and the Holders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by Continental, the Initial Purchasers and the Holders, as incurred; provided that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person that was not guilty of such fraudulent misrepresentation. As between Continental, the Initial Purchasers and the Holders, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect the relative fault of Continental, on the one hand, and the Initial Purchasers and the Holders, on the other hand, with respect to the statements or omissions which resulted in such loss, liability, claim, damage or expense, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault of Continental, on the one hand, and of the Initial Purchasers and the Holders, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by Continental, on the one hand, or by or on behalf of the Initial Purchasers or the Holders, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Continental, the Initial

Purchasers and the Holders of the Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 5 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the relevant equitable considerations. For purposes of this Section 5(d), each director, officer, employee, trustee, agent and Person, if any, who controls an Initial Purchaser or Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Initial Purchaser or Holder, and each director, officer, employee, trustee and agent of Continental and the Trust, and each Person, if any, who controls Continental or the Trust within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as Continental. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent.

6. UNDERWRITTEN OFFERING. The Holders of Registrable Securities covered by the Shelf Registration Statement who desire to do so may sell such Registrable Securities in an underwritten offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto will be approved by, the Holders of a majority of the Registrable Securities to be included in such offering; provided however, that (i) such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to Continental and the Trust and (ii) Continental shall not be obligated to arrange for more than one underwritten offering during the Effectiveness Period. No Holder may participate in any underwritten offering contemplated hereby unless such Holder (a) agrees to sell such Holder's Registrable Securities in accordance with any approved underwriting arrangements, (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements and (c) at least 20% of the outstanding Registrable Securities are included in such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any expenses customarily borne by selling securityholders, including underwriting discounts and commissions and fees and expenses of counsel to the selling securityholders and shall reimburse the Trust and Continental for the fees and disbursements of their counsel, their independent public accountants and any printing expenses incurred in connection with such underwritten offering. Notwithstanding the foregoing or the provisions of Section 3(n) hereof, upon receipt of a request from the Managing Underwriter or a representative of Holders of a majority of the Registrable Securities outstanding to prepare and file an amendment or supplement to the Shelf Registration Statement and Prospectus in connection with an underwritten offering, Continental may delay the filing of any such amendment or supplement for up to 90 days if Continental in good faith has a valid business reason for such delay.

7. MISCELLANEOUS.

(a) OTHER REGISTRATION RIGHTS. Continental may grant registration rights that would permit any Person that is a third party the right to piggy-back on any Shelf Registration Statement, provided that if the Managing Underwriter, if any, of such offering delivers an opinion to the selling Holders that the total amount of securities which they and the holders of such piggy-back rights intend to include in any Shelf Registration Statement is so large as to materially adversely affect the success of such offering (including the price at which such securities can be sold), then only the amount, number or kind of securities to be offered for the account of holders of such piggy-back rights will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number or kind recommended by the Managing Underwriter prior to any reduction in the amount of Registrable Securities to be included.

(b) AMENDMENTS AND WAIVERS. The provision of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and waivers or

consents to departures from the provisions hereof may not be given, unless the Trust and Continental have obtained the written consent of the Initial Purchasers.

(c) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telex, telecopier, or air courier guaranteeing overnight delivery:

1. if to a Holder, at the most current address given by such Holder to Continental in accordance with the provisions of this Section 6(c);

2. if to the Initial Purchasers, initially at the address set forth in the Purchase Agreement; and

3. if to the Trust or Continental, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have duly given when received.

The Initial Purchasers or the Trust and Continental by notice to the other may designate additional or different addresses for subsequent notices or communications.

(d) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and the Holders, including, without the need for an express assignment or any consent by the Trust or Continental thereto, subsequent Holders of Registrable Securities. The Trust and Continental hereby agree to extend the benefits of this Agreement to any Holder of Registrable Securities and any such Holder may specifically enforce the provisions of this Agreement as if an original party hereto.

(e) COUNTERPARTS. This agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) HEADINGS. The headings in this agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) GOVERNING LAW. This agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any provisions relating to conflicts of laws.

(h) SEVERABILITY. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

Please confirm that the foregoing correctly sets forth the agreement between Continental, the Trust and you.

Very truly yours,

CONTINENTAL AIRLINES FINANCE

TRUST

By:

Name: Lawrence W.

Kellner

Title: Regular Trustee

By: _____

Name: Jeffery A. Smisek
Title: Regular Trustee

CONTINENTAL AIRLINES, INC.

By: _____

President

Counsel

Name: Jeffery A. Smisek
Title: Senior Vice

and General

The foregoing Registration Rights Agreement is hereby confirmed and accepted as of the date first above written.

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
CS FIRST BOSTON CORPORATION
DONALDSON LUFKIN & JENRETTE SECURITIES CORPORATION
SMITH BARNEY INC.
on behalf of themselves and
as the Representatives of the
several Initial Purchasers

By: Merrill Lynch, Pierce Fenner &
Smith Incorporated

By: _____
Name:
Title:

We consent to the reference to our firm under the caption "Experts" to the Registration Statement (Form S-3) and related Prospectus of Continental Airlines, Inc. for the registration of 4,997,000 Preferred Securities of Continental Airlines Finance Trust and to the incorporation by reference therein of our reports dated February 12, 1996, with respect to the consolidated financial statements and schedules of Continental Airlines, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 1995, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP
Houston, Texas
May 23, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as an officer or director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as an officer or director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as an officer or director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Gordon M. Bethune

Printed Name: Gordon M. Bethune

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as an officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as an officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as an officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Lawrence W. Kellner

Printed Name: Lawrence W. Kellner

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as an officer of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as an officer that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as an officer of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Michael P. Bonds

Printed Name: Michael P. Bonds

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Thomas J. Barrack, Jr.

Printed Name: Thomas J. Barrack, Jr.

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ David Bonderman

Printed Name: David Bonderman

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Gregory D. Brenneman

Printed Name: Gregory D. Brenneman

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Joel H. Cowan

Printed Name: Joel H. Cowan

Dated and effective as of April 30, 1996

POWER OF ATTORNEY

The undersigned director of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint Lawrence W. Kellner, Jeffery A. Smisek and Scott R. Peterson, or any of them, as the undersigned's true and lawful attorneys in-fact and agents to do any and all things in the undersigned's name and behalf in the undersigned's capacity as a director of the Company, and to execute any and all instruments for the undersigned and in the undersigned's name and capacity as a director that such person or persons may deem necessary or advisable to enable the Company to comply with the Securities Act of 1933, as amended, and any rules, regulations or requirements of the Securities and Exchange Commission in connection with that certain Registration Statement on Form S-3 relating to the Company's 8-1/2% Convertible Trust Originated Preferred Securities (the "Registration Statement"), including specifically, but not limited to, power and authority to sign for the undersigned in the capacity as a director of the Company the Registration Statement, and any and all amendments thereto, including post-effective amendments, and the undersigned does hereby ratify and confirm all that such person or persons shall do or cause to be done by virtue hereof.

/s/ Patrick Foley

Printed Name: Patrick Foley

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/s/ Rowland C. Frazee

Printed Name: Rowland C. Frazee

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/s/ Hollis L. Harris

Printed Name: Hollis L. Harris

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/s/ Dean C. Kehler

Printed Name: Dean C. Kehler

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/s/ Robert L. Lumpkins

Printed Name: Robert L. Lumpkins

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/s/ Douglas H. McCorkindale

Printed Name: Douglas H. McCorkindale

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/s/ David E. Mitchell

Printed Name: David E. Mitchell

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/s/ Richard W. Pogue

Printed Name: Richard W. Pogue

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/s/ William S. Price III

Printed Name: William S. Price III

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/s/ Donald L. Sturm

Printed Name: Donald L. Sturm

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/s/ Claude I. Taylor

Printed Name: Claude I. Taylor

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/s/ Karen Hastie Williams

Printed Name: Karen Hastie Williams

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/s/ Charles A. Yamarone

Printed Name: Charles A. Yamarone

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