

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-9781

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

Delaware
(State or other jurisdiction
of incorporation or organization)

74-2099724
(I.R.S. Employer
Identification No.)

1600 Smith Street, Dept. HQSEO
Houston, Texas 77002
(Address of principal executive offices)
(Zip Code)

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

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

As of April 5, 2002, 63,655,811 shares of Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

Three Months Ended March 31,
2002 2001
(Unaudited)

Operating Revenue:

Passenger	\$1,872	\$2,306
Cargo, mail and other	<u>121</u>	<u>145</u>
	<u>1,993</u>	<u>2,451</u>

Operating Expenses:

Wages, salaries and related costs	732	758
Aircraft rentals	228	214
Aircraft fuel	208	345
Landing fees and other rentals	161	141

Maintenance, materials and repairs	114	160
Depreciation and amortization	113	105
Reservations and sales	102	128
Passenger servicing	77	91
Commissions	70	115
Fleet charge	83	-
Other	<u>292</u>	<u>318</u>
	<u>2,180</u>	<u>2,375</u>
Operating Income (Loss)	<u>(187)</u>	<u>76</u>
Nonoperating Income (Expense):		
Interest expense	(82)	(72)
Interest income	5	15
Interest capitalized	11	15
Other, net	<u>(1)</u>	<u>(15)</u>
	<u>(67)</u>	<u>(57)</u>
Income (Loss) before Income Taxes	(254)	19
Income Tax (Expense) Benefit	90	(8)
Distributions on Preferred Securities of Trust, net of applicable income taxes of \$1 and \$1, respectively	<u>(2)</u>	<u>(2)</u>
Net Income (Loss)	\$ <u>(166)</u>	\$ <u>9</u>
Basic Earnings (Loss) per Share	\$ <u>(2.61)</u>	\$ <u>0.17</u>
Diluted Earnings (Loss) per Share	\$ <u>(2.61)</u>	\$ <u>0.16</u>

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

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

	March 31,	December 31,	March 31,
ASSETS	<u>2002</u>	<u>2001</u>	<u>2001</u>
	(Unaudited)		(Unaudited)
Current Assets:			
Cash and cash equivalents, including restricted cash of \$147 at March 31, 2002	\$ 1,091	\$1,132	\$1,007
Short-term investments	105	-	-
Accounts receivable, net	542	404	572
Spare parts and supplies, net	272	272	276
Deferred income taxes	210	192	139
Prepayments and other	<u>202</u>	<u>144</u>	<u>187</u>
Total current assets	<u>2,422</u>	<u>2,144</u>	<u>2,181</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	6,360	5,592	4,870
Other	<u>1,137</u>	<u>1,092</u>	<u>961</u>
	7,497	6,684	5,831

Less: Accumulated depreciation	<u>1,331</u>	<u>1,249</u>	<u>1,031</u>
	<u>6,166</u>	<u>5,435</u>	<u>4,800</u>
Purchase deposits for flight equipment	<u>337</u>	<u>454</u>	<u>470</u>
Capital leases:			
Flight equipment	223	223	225
Other	<u>246</u>	<u>234</u>	<u>184</u>
	469	457	409
Less: Accumulated amortization	<u>200</u>	<u>193</u>	<u>175</u>
	<u>269</u>	<u>264</u>	<u>234</u>
Total property and equipment	<u>6,772</u>	<u>6,153</u>	<u>5,504</u>
Other Assets:			
Routes and airport operating rights, net	1,026	1,033	1,068
Other assets, net	<u>471</u>	<u>461</u>	<u>515</u>
Total other assets	<u>1,497</u>	<u>1,494</u>	<u>1,583</u>
Total Assets	<u>\$10,691</u>	<u>\$9,791</u>	<u>\$9,268</u>

(continued on next page)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, <u>2002</u>	December 31, <u>2001</u>	March 31, <u>2001</u>
	(Unaudited)		(Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 487	\$ 355	\$ 361
Accounts payable	887	1,008	912
Air traffic liability	1,173	1,014	1,357
Accrued payroll and pensions	594	523	291
Accrued other liabilities	<u>329</u>	<u>291</u>	<u>253</u>
Total current liabilities	<u>3,470</u>	<u>3,191</u>	<u>3,174</u>
Long-Term Debt and Capital Leases	<u>4,976</u>	<u>4,198</u>	<u>3,639</u>
Deferred Credits and Other Long-Term Liabilities:			
Deferred income taxes	643	710	835
Other	<u>345</u>	<u>288</u>	<u>208</u>
Total deferred credits and other long-term liabilities	<u>988</u>	<u>998</u>	<u>1,043</u>
Commitments and Contingencies			
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding	<u>243</u>	<u>243</u>	<u>243</u>
Solely Convertible Subordinated Debentures			

Stockholders' Equity:

Preferred Stock - \$.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 200,000,000 shares authorized; 89,098,340, 88,617,001 and 79,036,014 shares issued as of March 31, 2002, December 31, 2001, and March 31, 2001, respectively	1	1	1
Additional paid-in capital	1,077	1,069	831
Retained earnings	1,195	1,361	1,465
Accumulated other comprehensive income (loss)	(119)	(130)	11
Treasury stock - 25,442,529, 25,442,529 and 25,411,171 Class B shares as of March 31, 2002, December 31, 2001 and March 31, 2001, respectively, at cost	<u>(1,140)</u>	<u>(1,140)</u>	<u>(1,139)</u>
Total stockholders' equity	<u>1,014</u>	<u>1,161</u>	<u>1,169</u>
Total Liabilities and Stockholders' Equity	<u>\$10,691</u>	<u>\$ 9,791</u>	<u>\$9,268</u>

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

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

	Three Months	
	<u>Ended March 31,</u>	
	<u>2002</u>	<u>2001</u>
	(Unaudited)	
Net cash (used in) provided by operating activities	\$ <u>(123)</u>	\$ <u>168</u>
Cash Flows from Investing Activities:		
Purchase deposits paid in connection with future aircraft deliveries	(18)	(111)
Purchase deposits refunded in connection with aircraft delivered	110	44
Capital expenditures	(139)	(151)
(Purchase of) proceeds from sale of short-term investments	(105)	24
Other	<u>(10)</u>	<u>(9)</u>
Net cash used in investing activities	<u>(162)</u>	<u>(203)</u>
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net	216	200

Payments on long-term debt and capital lease obligations	(126)	(84)
Purchase of redeemable common stock	-	(450)
Other	<u>7</u>	<u>5</u>
Net cash provided by (used in) financing activities	<u>97</u>	<u>(329)</u>
Net Decrease in Cash and Cash Equivalents	(188)	(364)
Cash and Cash Equivalents - Beginning of Period	<u>1,132</u>	<u>1,371</u>
Cash and Cash Equivalents - End of Period (A)	<u>\$ 944</u>	<u>\$1,007</u>
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	\$ 663	\$ 160

A. Excludes restricted cash of \$147 million at March 31, 2002.

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

CONTINENTAL AIRLINES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments are of a normal, recurring nature. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2001 (the "2001 10-K"). As used in these Notes to Consolidated Financial Statements, the terms "Continental", "we", "us", "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its subsidiaries.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in our 2001 10-K, which identify important factors such as terrorist attacks and the resulting regulatory developments and costs, our recent operating losses and special charges, our high leverage and significant financing needs, our historical operating results, the significant cost of aircraft fuel, labor costs, certain tax matters, the Japanese economy and currency risk, competition and industry conditions, regulatory matters and the seasonal nature of the airline business (the second and third quarters are generally stronger than the first and fourth quarters), that could cause actual results to differ materially from those in the forward-looking statements.

Certain reclassifications have been made in the prior years' financial statements to conform to the current year presentation.

NOTE 1 - EARNINGS (LOSS) PER SHARE

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

	Three Months	
	Ended March 31,	
	<u>2002</u>	<u>2001</u>
Numerator:		
Numerator for basic and diluted earnings (loss) per share - net income (loss)	\$ <u>(166)</u>	\$ <u>9</u>
Denominator:		
Denominator for basic earnings (loss) per share - weighted-average shares	<u>63.5</u>	<u>54.9</u>

Effect of dilutive securities:		
Employee stock options	-	1.0
Potentially Dilutive Shares (Northwest Repurchase)	<u>-</u>	<u>0.5</u>
Dilutive potential common shares	<u>-</u>	<u>1.5</u>
Denominator for diluted earnings (loss) per share - adjusted	<u>63.5</u>	<u>56.4</u>

weighted-average and assumed conversions

NOTE 2 - COMPREHENSIVE INCOME (LOSS)

We include in other comprehensive income (loss) unrealized gains and losses on available-for-sale securities, changes in minimum pension liabilities and changes in the fair value of derivative financial instruments, which qualify for hedge accounting. During the first quarter of 2002 and 2001, total comprehensive income (loss) amounted to \$(155) million and \$7 million, respectively. The significant difference between the net loss and total comprehensive loss for the first quarter of 2002 was primarily attributable to changes in the fair value of derivative financial instruments.

NOTE 3 - AIRCRAFT PURCHASE COMMITMENTS

As shown in the following table, our aircraft fleet consisted of 364 jets, 145 regional jets and 29 turboprop aircraft at March 31, 2002. Our purchase commitments (orders) and aircraft options as of March 31, 2002 are also included in the table.

Aircraft	Total	<u>Owned</u>	<u>Leased</u>	<u>Orders</u>	<u>Options</u>
<u>Type</u>	<u>Aircraft (a)</u>				
777-200ER	16	4	12	1	3
767-400ER	12	10	2	4	-
767-200ER	10	9	1	-	2
757-300	4	4	-	11	11
757-200	41	13	28	-	-
737-900	11	7	4	4	12
737-800	76	21	55	38	35
737-700	36	12	24	15	24
737-500	66	15	51	-	-
737-300	59	11	48	-	-
MD-80	<u>33</u>	<u>5</u>	<u>28</u>	<u>-</u>	<u>-</u>
Mainline Jets	<u>364</u>	<u>111</u>	<u>253</u>	<u>73</u>	<u>87</u>
ERJ-145XR	-	-	-	104	100
ERJ-145	115	18	97	25	-
ERJ-135	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
Regional Jets	<u>145</u>	<u>18</u>	<u>127</u>	<u>129</u>	<u>100</u>
Total Jets	<u>509</u>	<u>129</u>	<u>380</u>		
ATR-42-320	23	8	15		
EMB-120	<u>6</u>	<u>1</u>	<u>5</u>		
	<u>29</u>	<u>9</u>	<u>20</u>		
Total	<u>538</u>	<u>138</u>	<u>400</u>		

- a. Excludes one 777-200ER aircraft and one 737-800 aircraft delivered in March 2002 but not yet placed in service. Also excludes 18 DC-10-30 aircraft, two 747-200 aircraft and two 727-200 aircraft, all of which were permanently grounded as of March 31, 2002, and 22 MD-80 aircraft, six 737-300 aircraft, 13 EMB-120 turboprop aircraft and eight ATR-42 turboprop aircraft all of which were temporarily grounded as of March 31, 2002.

We anticipate taking delivery of 20 Boeing jet aircraft in 2002, 14 of which were delivered during the first quarter of 2002. Also, in 2002, we plan to retire from service 16 of our mainline jet aircraft, the leases for which expire in 2002.

Our wholly owned subsidiary, ExpressJet Airlines, Inc. ("ExpressJet"), anticipates taking delivery of 51 Embraer regional jet aircraft in 2002 (eight of which were delivered in the first quarter of 2002). We plan to retire from service 27 turboprop aircraft in 2002 (four of which were removed from service in the first quarter of 2002) and the remaining turboprop aircraft in 2003.

In March 2002, we completed the public offering of \$329 million of pass-through certificates along with the private placement of \$146 million of pass-through certificates to be funded upon the delivery of each aircraft (at a current effective interest rate of 6.4%). The proceeds are being used to finance the

acquisition cost of seven new aircraft. Prior to the delivery of the aircraft, the proceeds from the public offering are being held in a restricted depository account. The proceeds held in this account may only be withdrawn by an escrow agent acting at the direction of the pass-through trustees in connection with the financing of the aircraft. If not withdrawn or the proceeds from the private placement are not made available to us, the proceeds, plus a premium or penalty payable by us, would be distributed back to the certificate holders. As a result of this contingent liability with respect to the premium, we have reflected the balance in the depository account (\$147 million at March 31, 2002) as restricted cash and as debt in our consolidated financial statements. Upon delivery of each aircraft, we will reclassify an amount equal to the proceeds drawn from the depository account for such aircraft from restricted cash to owned flight equipment.

As of March 31, 2002, the estimated aggregate cost of our firm commitments for 73 Boeing aircraft was approximately \$3 billion. We expect that six of these aircraft (all of which have been financed) will be delivered in April 2002 and May 2002. We do not have backstop financing from Boeing or any other financing currently in place for the remaining 67 aircraft, all of which are scheduled for delivery starting in the fourth quarter of 2003 through 2008. In addition, at March 31, 2002, we had firm commitments to purchase 19 spare engines related to the new Boeing aircraft for approximately \$117 million, which engines are deliverable through March 2005. Further financing will be needed to satisfy our capital commitments for our aircraft and aircraft-related expenditures such as engines, spare parts, simulators and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures. Deliveries of new Boeing aircraft are expected to continue to increase aircraft rental, depreciation and interest costs while generating cost savings in the areas of maintenance, fuel and pilot training.

As of March 31, 2002, the estimated aggregate cost of ExpressJet's firm commitments for 129 Embraer regional jets was approximately \$2.5 billion. We do not have any obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to us.

NOTE 4 - OTHER

In July 2001, the Financial Accounting Standards Board issued Financial Accounting Standard No. 142 - "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. Effective January 1, 2002, we adopted SFAS 142 and discontinued amortization of our goodwill recorded on equity investments and routes, which are indefinite-life intangible assets, which will result in reduced expense of approximately \$23 million on an annualized basis. We are required to test routes for impairment annually in accordance with SFAS 142, beginning in the first quarter of 2002. We performed the first of the required impairment tests for routes as of January 1, 2002 and determined that we do not have any impairment of our routes upon adoption based upon our assessment of fair values.

Pro forma results for the three months ended March 31, 2001, assuming the discontinuation of amortization of routes, are shown below.

Reported net income	\$ 9
Route amortization, net of taxes	<u>3</u>
Adjusted net income	\$ <u>12</u>
Basic earnings per share:	
As reported	\$0.17
Route amortization, net of taxes	<u>0.05</u>
As adjusted	\$ <u>0.22</u>
Diluted earnings per share:	
As reported	\$0.16
Route amortization, net of taxes	<u>0.06</u>
As adjusted	\$ <u>0.22</u>

In August 2001, the Financial Accounting Standards Board issued Financial Accounting Standard No. 144 - "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes SFAS 121 and the portion of the Accounting Principle Board Opinion No. 30 that deals with disposal of a business segment. Effective January 1, 2002, we adopted SFAS 144, which did not have an effect on our results of operations.

In April 2002, ExpressJet Holdings, Inc. ("Holdings"), our wholly owned subsidiary and the sole stockholder of ExpressJet, filed an amendment to its registration statement previously filed with the Securities and Exchange Commission for the proposed initial public offering of its common stock. In the offering, Holdings expects to sell 10 million shares of its common stock and use the net proceeds to repay a portion of ExpressJet's indebtedness to us. In addition, we expect to sell 16 million of our shares of Holdings common stock in the offering and to grant the underwriters an option to purchase an additional 3.9 million shares to cover over-allotments. After the completion of this offering, we will own 59.4% of the outstanding shares of Holdings common stock, or 53.3% if the over-allotment option from us is exercised in full.

Our capacity purchase agreement with ExpressJet provides that we purchase in advance all of its available seat miles for a negotiated price, and we are at risk for reselling the available seat miles at market prices. As we dispose of some or all of our interest in ExpressJet, we will have greater fixed costs, which could result in lower or more volatile earnings or both. For example, for the three months ended March 31, 2002, our net loss of approximately \$166 million included net income for ExpressJet of approximately \$20 million.

Effective March 18, 2002, we eliminated base commissions paid to travel agents for tickets sold in the United States (including Puerto Rico and the U.S. Virgin Islands) and Canada. We expect to reduce commission expense by approximately \$100 million on an annual basis as a result.

In the first quarter, we recorded a fleet charge of \$52 million (\$83 million before taxes) in connection with the permanent grounding and retirement of our leased DC-10-30 fleet. The majority of the charge relates to future commitments under noncancellable lease agreements past the dates the aircraft were permanently removed from service. The remainder of the accrual relates to costs expected to be incurred related to the storage and return of these aircraft.

In the first quarter of 2002, we issued \$200 million of 4.5% convertible notes due February 1, 2007 for net proceeds of \$195 million. The notes are convertible into our common stock at an initial conversion price of \$40 per share. The notes are redeemable at our option on or after February 5, 2005, at specified redemption prices.

In the first quarter of 2002, we purchased West Texas Intermediate crude oil call options to hedge a significant increase in fuel costs. As of March 31, 2002, we had hedged approximately 75% of our projected second quarter 2002 fuel requirements and 25% of our third and fourth quarter 2002 fuel requirements.

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations.

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in our 2001 10-K, which identify important factors such as terrorist attacks and the resulting regulatory developments and costs, our recent operating losses and special charges, our high leverage and significant financing needs, our historical operating results, the significant cost of aircraft fuel, labor costs, certain tax matters, the Japanese economy and currency risk, competition and industry conditions, regulatory matters and the seasonal nature of the airline business (the second and third quarters are generally stronger than the first and fourth quarters), that could cause actual results to differ materially from those in the forward-looking statements.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three months ended March 31, 2002 as compared to the corresponding period in 2001.

We recorded a consolidated net loss of \$166 million for the first quarter of 2002 as compared to consolidated net income of \$9 million for the three months ended March 31, 2001. Included in our results for 2002 was a \$52 million fleet charge (\$83 million before taxes) resulting from the permanent grounding and retirement of our leased DC-10-30 fleet.

Passenger revenue decreased 18.8%, \$434 million, during the quarter ended March 31, 2002 as compared to the same period in 2001, which was due to traffic declines and fare discounting following the September 11, 2001 terrorist attacks.

Cargo, mail and other revenue decreased 16.6%, \$24 million, during the quarter ended March 31, 2002 as compared to the same period in 2001 primarily due to lower freight volumes and yield and new security restrictions which reduced mail volumes.

Wages, salaries and related costs decreased 3.4%, \$26 million, during the quarter ended March 31, 2002 as compared to the same period in 2001, primarily due to a reduction in the number of employees as a result of reduced flying, partially offset by higher wage rates.

Aircraft rentals increased 6.5%, \$14 million, due to the delivery of new aircraft.

Aircraft fuel expense decreased 39.7%, \$137 million, in the three months ended March 31, 2002 as compared to the same period in the prior year. The average jet fuel price per gallon decreased 29.9% from 85.86 cents in the first quarter of 2001 to 60.17 cents in the first quarter of 2002. Jet fuel consumption decreased 16.1%, principally reflecting decreased flight operations and the fuel efficiency of our younger fleet.

Landing fees and other rentals increased 14.2%, \$20 million, primarily due to higher facilities rent (partially attributable to the completion of a portion of the Global Gateway Program at Newark International Airport) and landing fees resulting from rate increases.

Maintenance, materials and repairs decreased 28.8%, \$46 million, in the first quarter of 2002 compared to the first quarter of 2001 primarily due to the replacement of older aircraft with new aircraft.

Depreciation and amortization expense increased 7.6%, \$8 million, in the first quarter of 2002 compared to the first quarter of 2001 due principally to the addition of new owned aircraft and related spare parts, partially offset by the discontinuation of amortization of routes.

Reservations and sales expense decreased 20.3%, \$26 million, in the first quarter of 2002 compared to the first quarter of 2001 primarily due to lower computer reservation system booking fees and credit card discount fees as a result of lower revenue.

Passenger servicing decreased 15.4%, \$14 million, in the first quarter of 2002 compared to the first quarter of 2001 primarily due to a decrease in food costs resulting from fewer passengers.

Commissions expense decreased 39.1%, \$45 million, during 2002 as compared to 2001 due to lower revenue and lower commission rates.

Other operating expense decreased 8.2%, \$26 million, in the three months ended March 31, 2002 as compared to the same period in the prior year, primarily as a result of decreases in outsourced services and other miscellaneous expenses resulting from reduced capacity, partially offset by increased insurance costs.

Interest expense increased 13.9%, \$10 million, due to an increase in long-term debt, primarily resulting from the purchase of new aircraft.

Interest income decreased 66.7%, \$10 million, due to lower average balances of cash, cash equivalents and short-term investments and lower interest rates.

Other nonoperating income (expense) in the three months ended March 31, 2001 included our equity in the net losses of certain investments of \$6 million and net losses of \$6 million related to the portion of fuel hedges excluded from the assessment of hedge effectiveness (primarily option time value).

Certain Statistical Information

An analysis of statistical information for our jet operations, excluding regional jets, for the periods indicated is as follows:

	Three Months Ended		Net Increase/ (Decrease)
	March 31,		
	2002	2001	
Revenue passengers (thousands)	10,057	11,220	(10.4)%
Revenue passenger miles (millions) (1)	14,032	15,114	(7.2)%
Available seat miles (millions) (2)	18,951	21,459	(11.7)%
Cargo ton miles (millions)	208	253	(17.8)%
Passenger load factor (3)	74.0%	70.4%	3.6 pts.
Breakeven passenger load factor (4)(5)	80.8%	67.4%	13.4 pts.
Passenger revenue per available seat mile (cents)	8.77	9.76	(10.1)%
Total revenue per available seat mile (cents)	9.64	10.60	(9.1)%
Operating cost per available seat mile (cents) (5)	9.65	9.91	(2.6)%
Average yield per revenue passenger mile (cents) (6)	11.84	13.86	(14.6)%
Average price per gallon of fuel, excluding fuel taxes (cents)	60.17	85.86	(29.9)%
Average price per gallon of fuel, including fuel taxes (cents)	64.39	90.61	(28.9)%
Fuel gallons consumed (millions)	308	367	(16.1)%
Average fare per revenue passenger	\$163.83	\$186.64	(12.2)%
Average daily utilization of each aircraft (hours) (7)	9:31	10:45	(11.5)%
Actual aircraft in fleet at end of period (8)	364	375	(2.9)%
Average length of aircraft flight (miles)	1,175	1,164	0.9 %

1. The number of scheduled miles flown by revenue passengers.

2. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.

3. Revenue passenger miles divided by available seat miles.

4. The percentage of seats that must be occupied by revenue passengers in order for us to break even on an income before income taxes basis, excluding nonrecurring charges and other special items.

5. Excludes fleet charge of \$83 million in 2002.

6. The average revenue received for each mile a revenue passenger is carried.

7. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).

8. Excludes one 777-200ER aircraft and one 737-800 aircraft delivered in March 2002 but not yet placed in service. Also excludes 18 DC-10-30 aircraft, two 747-200 aircraft, two 727-200 aircraft, 22 MD-80 aircraft and six 737-300 aircraft removed from service as of March 31, 2002. Also excludes nine DC-10-30 aircraft, three 747-200 aircraft and two 727-200 aircraft removed from service as of March 31, 2001.

LIQUIDITY AND CAPITAL COMMITMENTS

As of March 31, 2002, we had \$1.2 billion in cash, cash equivalents and short-term investments, including \$147 million of restricted cash related to a pre-funded aircraft financing. In January, we paid \$168 million in transportation taxes, the payment of which had been deferred pursuant to the Air Transportation Safety and System Stabilization Act (the "Stabilization Act"). Cash flows used in operations for the three months ended March 31, 2002 were \$123 million. Cash flows used in investing activities, primarily capital expenditures, purchase deposits for aircraft and short-term investments, were \$162 million for the three months ended March 31, 2002. Cash flows provided by financing activities, primarily from the issuance of long-term debt, partially offset by the payment of debt, were \$97 million for the three months ended March 31, 2002.

Based on current information and trends (including currently anticipated unit costs), we expect to incur a loss for the full year 2002.

We continue to target a year-end cash balance of approximately \$1.5 billion. We plan to use a portion of our proceeds from the sale of a portion of our Holdings common stock in its previously announced initial public offering to help achieve this. We expect to contribute \$150 million of the proceeds from

the public offering to our defined benefit pension plan. The public offering is currently expected to close in April 2002.

Together with our subsidiaries, we anticipate receiving the remaining grant under the Stabilization Act, totaling approximately \$63 million in cash, in the second quarter of 2002. We also expect to receive a federal income tax refund of approximately \$39 million in the second quarter. This amount represents alternative minimum tax payments previously paid by us and due to be refunded under recent legislation. We will also explore the availability of other financing for our liquidity needs.

We do not currently have any lines of credit, but have unencumbered assets, consisting primarily of spare parts, with a net book value in excess of \$1.0 billion at March 31, 2002 which could be pledged in connection with future financings. Furthermore, the Stabilization Act provides for \$10 billion in federal credit instruments (loan guarantees) to U.S. air carriers to guarantee loans from lenders to those air carriers, subject to certain conditions and fees, including limits on compensation of certain of our employees and the potential requirement that the U.S. Government be issued warrants or other equity instruments in connection with such loan guarantees. If our liquidity needs require us to do so, we may apply for a loan guarantee under this program. The deadline for such an application is June 28, 2002.

We expect to fund our future capital commitments through internally generated funds together with general company financings and aircraft financing transactions. However, there can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures.

General Financing. In the first quarter of 2002, we issued \$200 million of 4.5% convertible notes due February 1, 2007 for net proceeds of \$195 million. The notes are convertible into our common stock at an initial conversion price of \$40 per share. The notes are redeemable at our option on or after February 5, 2005, at specified redemption prices. The proceeds are being used for general corporate purposes.

Aircraft and Facilities Financing. In March 2002, we completed the public offering of \$329 million of pass-through certificates along with the private placement of \$146 million of pass-through certificates to be funded upon the delivery of each aircraft (at a current effective interest rate of 6.4%). The proceeds are being used to finance the acquisition cost of seven new aircraft. Prior to the delivery of the aircraft, the proceeds from the public offering are being held in a restricted depository account. The proceeds held in this account may only be withdrawn by an escrow agent acting at the direction of the pass-through trustees in connection with the financing of the aircraft. If not withdrawn or the proceeds from the private placement are not made available to us, the proceeds, plus a premium or penalty payable by us, would be distributed back to the certificate holders. As a result of this contingent liability with respect to the premium, we have reflected the remaining balance in the depository account (\$147 million at March 31, 2002) as restricted cash and as debt in our consolidated financial statements. Upon delivery of each aircraft, we will reclassify an amount equal to the proceeds drawn from the deposit account for such aircraft from restricted cash to owned flight equipment.

Purchase Commitments. We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. See Note 3.

We expect our net cash outlays for 2002 capital expenditures, exclusive of fleet plan requirements, to total approximately \$200 million, primarily relating to software application and automation infrastructure projects, aircraft modifications, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment. Our net capital expenditures during the three months ended March 31, 2002, aggregated \$31 million, exclusive of fleet plan requirements.

Deferred Tax Assets. As of December 31, 2001, we had a net deferred tax liability of \$518 million including gross deferred tax assets aggregating \$976 million, \$532 million related to net operating losses ("NOLs"), and a valuation allowance of \$245 million.

Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. In the event that an ownership change occurred, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax exempt rate (which was 5.01% for March 2002). Any unused annual limitation may be carried over to later years, and the amount of the limitation may, under certain circumstances, be increased by the built-in gains in assets that we held 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 annual NOL utilization would be limited to approximately \$90 million per year other than through the recognition of future built-in gain transactions.

Employees. Collective bargaining agreements between us and our mechanics (who are represented by the International Brotherhood of Teamsters ("Teamsters")) became amendable in January 2002 and between each of us and ExpressJet and our respective pilots (who are represented by the Air Line Pilots Association International ("ALPA")) are amendable in 2002. In addition, collective bargaining agreements between our wholly owned subsidiary, Continental Micronesia, Inc. ("CMI"), and its mechanics and fleet and passenger service employees (represented by the Teamsters) became amendable in March 2001. Negotiations were deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks. Negotiations have recommenced with the Teamsters in the first quarter of 2002 and are scheduled to commence with ALPA in the summer of 2002.

Temporarily Grounded Aircraft. As of March 31, 2002, we had 22 MD-80 aircraft, six 737-300 aircraft, 13 EMB-120 aircraft and eight ATR-42 turboprop aircraft out of service from our fleet. These aircraft have been temporarily removed from service and we will continue to evaluate whether to return these temporarily grounded aircraft to service, which will primarily depend on demand and yield in the coming months. We currently plan to return 11 MD-80 aircraft and four 737-300 aircraft to service in 2002. It is possible that all or a significant portion of these temporarily grounded aircraft will be permanently removed from service at a later date, which would result in charges for impairment and lease exit costs. Furthermore, we could suffer additional impairment of other aircraft and other long-lived assets in the future if the economic environment in which we operate does not continue to improve or further deteriorates due to unforeseen circumstances. The charges for all or a significant portion of the temporarily grounded aircraft would, and any additional charges for impairment of other aircraft and other long-lived assets could, be material.

Other. Our capacity purchase agreement with ExpressJet provides that we purchase in advance all of its available seat miles for a negotiated price, and we are at risk for reselling the available seat miles at market prices. As we dispose of some or all of our interest in ExpressJet, we will have greater fixed costs, which could result in lower or more volatile earnings or both. For example, for the three months ended March 31, 2002, our net loss of approximately \$166 million included net income for ExpressJet of approximately \$20 million.

Outlook. Based on current information and trends (including currently anticipated unit costs), we expect to incur a loss for the full year 2002. Although load factors continue to improve, they have done so against significantly reduced capacity. The reduced capacity, coupled with the fact that many of our costs are fixed in the intermediate to long term, will continue to drive higher unit costs. Cost per available seat mile for 2002 is expected to increase 2-3%, holding fuel rate constant, as compared to 2001. This increase is partly attributable to anticipated additional insurance costs in 2002 of approximately \$85 million, offset by reduced travel agent commissions. We expect to reduce commission expense by approximately \$100 million on an annual basis as a result of recent changes to our commission structure. Business traffic in most markets continues to be weak, and carriers continue to offer reduced fares to attract passengers,

which lowers our passenger revenue and yields and raises our breakeven load factor. We cannot predict if or when business traffic or yields will increase.

We believe that our costs are likely to be affected in the future by (i) higher aircraft ownership costs as new aircraft are delivered, (ii) higher wages, salaries, benefits and related costs as we reach new union agreements, partially offset by savings realized through employee furloughs, company-offered leaves of absence, retirements and cancellation of open positions, (iii) changes in the costs of materials and services (in particular, the cost of fuel, which can fluctuate significantly in response to global market conditions, and insurance and security costs, which have already increased significantly since the September 11, 2001 terrorist attacks), (iv) changes in distribution costs and structure, (v) changes in governmental regulations and taxes affecting air transportation and the costs charged for airport access, including landing fees and new security requirements, (vi) changes in our fleet and related capacity and (vii) our continuing efforts to reduce costs throughout our operations, including reduced maintenance costs for new aircraft, reduced distribution expense from using electronic ticketing and the internet for bookings, reduced capital spending, and continuing to remove non-value added costs from the system. However, the precise impact of these items is not known at this time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

See Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2001 10-K.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits:

- 10.1 Continental Airlines, Inc. Incentive Plan 2000, as amended and restated.
- 10.2 Continental Airlines, Inc. Executive Bonus Performance Award Program, as amended and restated.
- 10.3 Continental Airlines, Inc. Long Term Incentive Performance Award Program, as amended and restated.
- 10.4 Supplemental Agreement No. 26, including side letters, to Purchase Agreement No. 1951 between the Company and Boeing, dated March 29, 2002, relating to the purchase of Boeing 737 aircraft.
- 10.5 Supplemental Agreement No. 1, including exhibits and side letters, to Purchase Agreement No. 2333 between the Company and Boeing, dated March 29, 2002, relating to the purchase of Boeing 757 aircraft.
- 10.6 Amendment No. 23 to Purchase Agreement No. GPJ-003/96, between Empresa Brasileira de Aeronautics S.A. ("Embraer") and Continental Express, Inc. ("ExpressJet"), dated February 28, 2002 relating to the purchase of EMB 145 aircraft.

10.7 Amendment No. 24 to Purchase Agreement No. GPJ-003/96 between Embraer and ExpressJet dated March 28, 2002 relating to the purchase of EMB 145 aircraft.

(b) Reports on Form 8-K:

- i. Report dated January 2, 2002, reporting Item 5. "Other Events". No financial statements were filed with this report, which included a press release reporting our December 2001 and full year 2001 performance.
- ii. Report dated January 10, 2002, reporting Item 5. "Other Events". No financial statements were filed with this report, which included a press release announcing a special charge of \$39 million in the fourth quarter of 2001 associated primarily with the impairment of various owned aircraft and spare engines.
- iii. Report dated January 16, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our fourth quarter and full year 2001 results of operations, certain forward-looking information and certain statistical information.
- iv. Report dated January 16, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report which included an Underwriting Agreement between us, Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated relating to the offering of 4.50% Convertible Notes, an updated ratio of earnings to fixed charges and a capitalization table.
- v. Report dated February 1, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our January 2002 performance.
- vi. Report dated February 11, 2002, reporting Item 9. "Regulation FD Disclosure". No financial statements were filed with this report, which included exhibits related to data being presented by some of its executive officers at a conference, including certain projected data.
- vii. Report dated February 28, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release announcing the permanent grounding and retirement of our DC-10-30 fleet, resulting in a special charge for leased aircraft of \$52 million in the first quarter of 2002.
- viii. Report dated March 1, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included a press release reporting our February 2002 performance.
- ix. Report dated March 11, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included the incorporation of certain documents by reference as they relate to our preliminary offering of Class G-1 and Class G-2 Pass Through Certificates, Series 2002-1.
- x. Report dated March 11, 2002, reporting Item 5. "Other Events". No financial statements were filed with the report, which included the incorporation of certain documents by reference as they relate to our final offering of Class G-1 and Class G-2 Pass Through Certificates, Series 2002-1.
- xi. Report dated March 22, 2002, reporting Item 9. "Regulation FD Disclosure". No financial statements were filed with this report, which included exhibits related to certain projected data.

SIGNATURES

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

CONTINENTAL AIRLINES, INC.
Registrant

Date: April 15, 2002

by: /s/ Jeffrey J. Misner
Jeffrey J. Misner
Senior Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: April 15, 2002

by: /s/ Chris Kenny
Chris Kenny
Staff Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

OF

CONTINENTAL AIRLINES, INC.

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- 10.7 Amendment No. 24 to Purchase Agreement No. GPJ-003/96 between Embraer and ExpressJet, dated March 28, 2002 relating to the purchase of EMB 145 aircraft. (1)

(1) The Company has applied to the Commission for confidential treatment for a portion of this exhibit.

CONTINENTAL AIRLINES, INC.

INCENTIVE PLAN 2000

(as amended and restated through February 20, 2002)

1. PURPOSE

The purpose of the **Continental Airlines, Inc. Incentive Plan 2000** is to provide a means through which Continental Airlines, Inc. and its subsidiaries may attract able persons to serve as directors, or to enter or remain in the employ of the Company (as defined below) or its subsidiaries, and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company and its subsidiaries rest, and whose present and potential contributions to the welfare of the Company and its subsidiaries are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company and its subsidiaries. A further purpose of the Plan is to provide such individuals with additional incentive and reward opportunities designed to enhance the profitable growth of the Company and its subsidiaries. So that the maximum incentive can be provided, the Plan provides for granting Incentive Stock Options, Non-Qualified Options, Restricted Stock Awards, Performance Awards, Incentive Awards, and Retention Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular person.

2. DEFINITIONS

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

(a) **"Administrator"** means (i) in the context of Awards made to, or the administration (or interpretation of any provision) of the Plan as it relates to, any person who is subject to Section 16 of the Exchange Act (including any successor section to the same or similar effect, "Section 16"), the Committee, or (ii) in the context of Awards made to, or the administration (or interpretation of any provision) of the Plan as it relates to, any person who is not subject to Section 16, the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a Director of the Company, the Committee), unless the Plan specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Plan) specifies that it shall serve as Administrator.

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

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

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

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

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

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

(h) **"Director"** means an individual elected to the Board by the stockholders of the Company or by the Board under applicable corporate law who is serving on the Board on the date the Plan is adopted by the Board or is elected to the Board after such date.

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

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

(k) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(l) **"Grant Document"** means the document or documents evidencing an Award under the Plan, which may be either an agreement between the Company and the Holder as to the Award (with any amendments thereto) or a notice of grant of the Award from the Company to the Holder (including any attached statement of the terms and conditions of the Award and any modifications thereto made in accordance with the Plan).

(m) **"Holder"** means an employee or a non-employee Director who has been granted an Option, a Restricted Stock Award, a Performance Award, an Incentive Award, or a Retention Award.

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

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

(p) **"Market Value per Share"** means, as of any specified date, the closing sale price of the Common Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) in the principal securities market in which the Common Stock is then traded. If the

Common Stock is not publicly traded at the time a determination of "Market Value per Share" is required to be made hereunder, the determination of such amount shall be made by the Administrator in such manner as it deems appropriate.

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

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

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

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

(u) **"Plan"** means the Continental Airlines, Inc. Incentive Plan 2000, as amended from time to time.

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

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

(x) **"Retention Award"** means an Award granted under Section 11 of the Plan.

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

(z) **"SAR"** means a stock appreciation right granted in connection with an Option under Section 7 of the Plan.

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

3. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan originally became effective on October 4, 1999. The Plan as set forth herein constitutes an amendment and restatement of the Plan as previously adopted and amended by the Board, and shall supersede and replace in its entirety such previously adopted and amended plan. This amendment and restatement of the Plan shall be effective as of February 20, 2002. No further Awards may be granted under the Plan after October 3, 2009. The Plan shall remain in effect (at least for the purpose of governing outstanding Awards) until all Option Awards granted under the Plan have been exercised or expired, all restrictions imposed upon Restricted Stock Awards granted under the Plan have been eliminated or the Restricted Stock Awards have been forfeited, and all Performance Awards, Incentive Awards and Retention Awards granted under the Plan have been satisfied or have terminated.

4. ADMINISTRATION

(a) **Administrator.** The Plan shall be administered by the Administrator, so that (i) Awards made to, and the administration (or interpretation of any provision) of the Plan as it relates to, any person who is subject to Section 16, shall be made or effected by the Committee, and (ii) Awards made to, and the administration (or interpretation of any provision) of the Plan as it relates to, any person who is not subject to Section 16, shall be made or effected by the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a Director of the Company, the Committee), unless the Plan specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Plan) specifies that it shall serve as Administrator.

(b) **Powers.** Subject to the express provisions of the Plan, the Administrator shall have authority, in its discretion, to determine which employees or Directors shall receive an Award, the time or times when such Award shall be granted, whether an Incentive Stock Option or Non-Qualified Option shall be granted, the number of shares to be subject to each Option and Restricted Stock Award, and the value of each Performance Award, Incentive Award and Retention Award. In making such determinations, the Administrator shall take into account the nature of the services rendered by the respective employees or Directors, their present and potential contribution to the Company's success and such other factors as the Administrator in its discretion shall deem relevant. Subject to the express provisions of the Plan, the Administrator shall also have the power to construe the Plan and the respective agreements executed hereunder, to prescribe rules and regulations relating to the Plan, and to determine the terms, restrictions and provisions of the Grant Documents, including such terms, restrictions and provisions as shall be requisite in the judgment of the Administrator to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Grant Document relating to an Award in the manner and to the extent it shall deem expedient to carry it into effect. The determination of the Administrator on the matters referred to in this Section 4 shall be conclusive; provided, however, that in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer of the Company, each acting in capacity as Administrator of the Plan, the determination of the Committee shall be conclusive.

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

(a) **Shares Subject to the Plan; Award Limitations.** The Administrator may from time to time grant Awards to one or more employees or Directors determined by it to be eligible for participation in the Plan in accordance with the provisions of Section 6 hereof. Subject to adjustment as provided in Section 12(b) hereof, the aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 3,000,000 shares. Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses, the rights of its Holder terminate, or an Award is paid in cash or is settled in a manner such that all or some of the shares of Common Stock covered by the Award are not issued to the Holder, any shares of Common Stock then subject to such Award shall again be available for the grant of an Award under the Plan. Notwithstanding any provision in the Plan to the contrary, (i) the maximum number of

shares of Common Stock that may be subject to Awards granted to any one individual during any calendar year may not exceed 750,000 shares (subject to adjustment as provided in Section 12(b)), (ii) the maximum number of shares of Common Stock that may be granted as Restricted Stock Awards may not exceed 250,000 shares (subject to adjustment as provided in Section 12(b)), (iii) the maximum amount of compensation that may be paid under all Performance Awards denominated in cash (including the fair market value (priced at the Market Value per Share) of any shares of Common Stock paid in satisfaction of such Performance Awards) granted to any one individual during any calendar year may not exceed \$10 million, and any payment due with respect to a Performance Award shall be paid no later than 10 years after the date of grant of such Performance Award, and (iv) the maximum amount of compensation that may be paid under all Retention Awards granted to any one individual during any calendar year may not exceed 1% of the aggregate gross revenues of the Company and its consolidated subsidiaries for the fiscal year of the Company that ends on December 31, 2000 (determined based on the regularly prepared and publicly available statements of operations of the Company prepared in accordance with United States generally accepted accounting principles, consistently applied), and any payment due with respect to a Retention Award shall be paid no later than 11 years after the date of grant of such Retention Award. The limitations set forth in clauses (i), (iii), and (iv) of the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan which is intended to constitute "performance-based" compensation for purposes of section 162(m) of the Code to be treated as such "performance-based" compensation.

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

(c) **Stock Offered.** Subject to the limitations set forth in Section 5(a) above, the stock to be offered pursuant to an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan.

6. ELIGIBILITY

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

7. STOCK OPTIONS

(a) **Option Period.** The term of each Option shall be as specified by the Administrator at the date of grant.

(b) **Limitations on Exercise of Option.** An Option shall be exercisable in whole or in such installments and at such times as determined by the Administrator.

(c) **Special Limitations on Incentive Stock Options.** An Incentive Stock Option may be granted only to an individual who is an employee at the time the Option is granted. To the extent that the aggregate Market Value per Share (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options granted after 1986 are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such Incentive Stock Options shall be treated as Non-Qualified Options. The Administrator shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Holder's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Holder of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporation, within the meaning of section 422(b)(6) of the Code, unless (i) at the time such Option is granted the option price is at least 110% of the Market Value per Share of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant. An Incentive Stock Option shall not be transferable otherwise than by will or the laws of descent and distribution, and shall be exercisable during the Holder's lifetime only by such Holder or the Holder's guardian or Personal Representative.

(d) **Option Grant Document.** Each Option shall be evidenced by an Option Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve, including, without limitation, provisions to qualify an Incentive Stock Option under section 422 of the Code. An Option Grant Document may provide for the payment of the option price, in whole or in part, by delivery of a number of shares of Common Stock (plus cash if necessary) having a Market Value per Share equal to such option price. Moreover, an Option Grant Document may provide for a "cashless exercise" of the Option by establishing procedures satisfactory to the Administrator with respect thereto. The terms and conditions of the respective Option Grant Documents need not be identical.

(e) **Option Price and Payment.** The price at which a share of Common Stock may be purchased upon exercise of an Option shall be set forth in the Option Grant Document and shall be determined by the Administrator but, subject to adjustment as provided in Section 12(b), such purchase price shall not be less than the Market Value per Share of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company. The purchase price of the Option or portion thereof shall be paid in full in the manner specified by the Administrator. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of any Non-Qualified Option.

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

(g) **Stock Appreciation Rights.** The Administrator (concurrently with the grant of an Option or subsequent to such grant) may, in its sole discretion, grant stock appreciation rights ("SARs") to any Holder of an Option. SARs may give the Holder of an Option the right, upon written request, to surrender any exercisable Option or portion thereof in exchange for cash, whole shares of Common Stock, or a combination thereof, as determined by the Committee, with a value equal to the excess of the Market Value per Share, as of the date of such request, of one share of Common Stock over the Option price for such share multiplied by the number of shares covered by the Option or portion thereof to be surrendered. In the case of any SAR which is granted in connection with an Incentive Stock Option, such SAR shall be exercisable only when the Market Value per Share of the Common Stock exceeds the price specified therefor in the Option or portion thereof to be surrendered. In the event of the exercise of any SAR granted hereunder, the number of shares reserved for issuance under the Plan shall be reduced only to the extent that shares of Common Stock are actually issued in connection with the exercise of such SAR. Additional terms and conditions governing any such SARs may

from time to time be prescribed by the Administrator in its sole discretion.

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

8. RESTRICTED STOCK AWARDS

(a) **Ownership of Restricted Stock.** Each grant of Restricted Stock pursuant to a Restricted Stock Award will constitute an immediate transfer of record and beneficial ownership of the shares of Restricted Stock to the recipient of the grant in consideration of the performance of services by such recipient (or other consideration determined by the Administrator), entitling the recipient to all voting and other ownership rights, but subject to the restrictions hereinafter referred to or contained in the related Grant Document. Each grant may, in the discretion of the Administrator, limit the recipient's dividend rights during the period in which the shares of Restricted Stock are subject to a substantial risk of forfeiture and restrictions on transfer.

(b) **Substantial Risk of Forfeiture and Restrictions on Transfer.** Each grant of Restricted Stock will provide that (i) the shares covered thereby will be subject, for a period or periods determined by the Administrator at the date of grant, to one or more restrictions, including, without limitation, a restriction that constitutes a "substantial risk of forfeiture" within the meaning of section 83 of the Code and applicable interpretive authority thereunder, and (ii) during such period or periods during which such restrictions are to continue, the transferability of the Restricted Stock subject to such restrictions will be prohibited or restricted in a manner and to the extent prescribed by the Administrator at the date of grant.

(c) **Restricted Stock Held in Trust.** Shares of Common Stock awarded pursuant to each Restricted Stock Award will be held in trust by the Company for the benefit of the recipient until such time as the applicable restriction on transfer thereon shall have expired or otherwise lapsed, at which time certificates representing such Common Stock will be delivered to the recipient.

(d) **Restricted Stock Grant Document; Consideration.** Each grant of Restricted Stock shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. The terms and conditions of the respective Restricted Stock Grant Documents need not be identical. Each grant of Restricted Stock may be made without additional consideration or in consideration of a payment by the recipient that is less than the Market Value per Share on the date of grant, as determined by the Administrator.

9. PERFORMANCE AWARDS

(a) **Performance Period.** The Administrator shall establish, with respect to and at the time of each Performance Award, a performance period over which the performance applicable to the Performance Award shall be measured.

(b) **Performance Measures.** A Performance Award shall be awarded to a Holder contingent upon future performance of the Company or any subsidiary, division, or department thereof. The Administrator shall establish the performance measures applicable to such performance within the applicable time period permitted by section 162(m) of the Code, with such adjustments thereto as may be determined by the Administrator. The performance measures may be absolute, relative to one or more other companies, relative to one or more indexes, or measured by reference to the Company alone or the Company together with its consolidated subsidiaries. The performance measures established by the Administrator may be based upon (i) the price of a share of Common Stock, (ii) operating income or operating income margin, (iii) earnings before interest, income taxes, depreciation, amortization and aircraft rent ("EBITDAR") or EBITDAR margin, (iv) net income or net income margin, (v) cash flow, (vi) total shareholder return, or (vii) a combination of any of the foregoing, including any average, weighted average, minimum, hurdle, rate of increase or other measure of any or any combination thereof. The Administrator, in its sole discretion, may provide for an adjustable Performance Award value based upon the level of achievement of performance measures.

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

(d) **Payment.** Following the end of the performance period, the Holder of a Performance Award shall be entitled to receive payment of an amount not exceeding the maximum value of the Performance Award, based on the achievement of the performance measures for such performance period, as determined by the Administrator and certified by the Committee as required by section 162(m) of the Code. Payment of a Performance Award may be made in cash, Common Stock (valued at the Market Value per Share), or a combination thereof, as determined by the Administrator. Payment shall be made in a lump sum, except as otherwise set forth in the applicable Grant Document.

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

10. INCENTIVE AWARDS

(a) **Incentive Awards.** Incentive Awards are rights to receive shares of Common Stock (or the Market Value per Share thereof), or rights to receive an amount equal to any appreciation or increase in the Market Value per Share of Common Stock over a specified period of time, which vest over a period of time as established by the Administrator, without satisfaction of any performance criteria or objectives. The Administrator may, in its discretion, require payment or other conditions of the Holder respecting any Incentive Award.

(b) **Award Period.** The Administrator shall establish, with respect to and at the time of each Incentive Award, a period over which the Award shall vest with respect to the Holder.

(c) **Awards Criteria.** In determining the value of Incentive Awards, the Committee shall take into account a Holder's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate.

(d) **Payment.** Following the end of the vesting period for an Incentive Award (or at such other time as the applicable Grant Document may provide), the Holder of an Incentive Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Incentive Award, based on the then vested value of the Award. Payment of an Incentive Award may be made in cash, Common Stock (valued at the Market Value

per Share), or a combination thereof as determined by the Administrator. Payment shall be made in a lump sum, except as otherwise set forth in the applicable Grant Document. Cash dividend equivalents may be paid during or after the vesting period with respect to an Incentive Award, as determined by the Administrator.

(e) **Termination of Employment.** An Incentive Award shall terminate if the Holder does not remain continuously in the employ (or in service as a Director) of the Company or a subsidiary at all times during the applicable vesting period, except as otherwise set forth in the applicable Grant Document.

11. RETENTION AWARDS

(a) **Retention Awards.** A Retention Award is a right, which vests over a period of time as established by the Committee, to receive a cash payment measured by a portion (not exceeding 3.75% for any individual Holder nor 25% in the aggregate for all Holders) of the gain and profits (measured to the date such Award (or portion thereof, as applicable) is deemed surrendered for payment in accordance with its terms) associated with an equity holding of the Company or a subsidiary in an e-commerce or internet-based business. The Committee shall designate each such equity holding, a portion of the gain and profits with respect to which shall determine the relevant cash payment that is the subject of a Retention Award, and the Committee shall establish, with respect to each Retention Award and within the applicable time period permitted by Section 162(m) of the Code, the portion of the gain and profits in such equity holding used to measure cash payments to the Holder of such Retention Award.

(b) **Awards Criteria.** In determining the Retention Awards to be granted under the Plan, the Committee shall take into account a Holder's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate. The Committee, in its sole discretion, may provide for a reduction in the value of a Holder's Retention Award during the period such Award is outstanding, if permitted by the applicable Grant Document.

(c) **Payment.** Following the vesting of a Retention Award in whole or in part (or at such other times and subject to such other restrictions as the applicable Grant Document may provide), the Holder of such Retention Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Retention Award, based on such Holder's vested interest in such Retention Award and the gain and profit in the underlying equity holding, as certified by the Committee as required by section 162(m) of the Code. Payment shall be made in cash and in a lump sum, except as otherwise set forth in the applicable Grant Document. In no event shall a Retention Award grant a Holder an interest in the equity holding, the gain and profit in which is used to measure cash payments under such Award.

(d) **Retention Award Grant Document.** Each grant of a Retention Award shall be evidenced by a Grant Document in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve. The terms and conditions of the respective Retention Award Grant Documents need not be identical. A Retention Award shall terminate if the Holder does not remain continuously in the employ (or in service as a Director) of the Company or a subsidiary at all times during the applicable vesting period, except as otherwise set forth in the applicable Grant Document.

12. RECAPITALIZATION, REORGANIZATION AND CHANGE IN CONTROL

(a) **No Effect on Right or Power.** The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company or any subsidiary to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's or any subsidiary's capital structure or its business, any merger or consolidation of the Company or any subsidiary, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any subsidiary or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) **Changes in Common Stock.** The provisions of Section 5(a) imposing limits on the numbers of shares of Common Stock covered by Awards granted under the Plan, as well as the number or type of shares or other property subject to outstanding Awards and the applicable option or purchase prices per share, shall be adjusted appropriately by the Committee in the event of stock dividends, spin offs of assets or other extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, reorganizations, liquidations, issuances of rights or warrants and similar transactions or events.

(c) **Change in Control.** As used in the Plan (except as otherwise provided in an applicable Grant Document), the term "Change in Control" shall mean:

(aa) any person (within the meaning of Section 13(d) or 14(d) under the Exchange Act, including any group (within the meaning of Section 13(d)(3) under the Exchange Act), a "Person") is or becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company (such Person being referred to as an "Acquiring Person") representing 25% or more of the combined voting power of the Company's outstanding securities; other than beneficial ownership by (i) the Company or any subsidiary of the Company, (ii) any employee benefit plan of the Company or any Person organized, appointed or established pursuant to the terms of any such employee benefit plan (unless such plan or Person is a party to or is utilized in connection with a transaction led by Outside Persons), (iii) a Person who has a Schedule 13G on file with the Securities and Exchange Commission pursuant to the requirements of Rule 13d-1 under the Exchange Act, with respect to its holdings of the Company's voting securities ("Schedule 13G"), so long as (1) such Person is principally engaged in the business of managing investment funds for unaffiliated securities investors and, as part of such Person's duties as agent for fully managed accounts, holds or exercises voting or dispositive power over voting securities of the Company, (2) such Person acquires beneficial ownership of voting securities of the Company pursuant to trading activities undertaken in the ordinary course of such Person's business and not with the purpose nor the effect, either alone or in concert with any Person, of exercising the power to direct or cause the direction of the management and policies of the Company or of otherwise changing or influencing the control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) of the Exchange Act and (3) if such Person is a Person included in Rule 13d-1(b)(1)(ii) of the Exchange Act, such Person is not obligated to, and does not, file a Schedule 13D with respect to the securities of the Company, or (iv) (I) 1992 Air, Inc., (II) any Person who controlled 1992 Air, Inc. as of February 26, 1998, including David Bonderman and James Coulter, or (III) any Person controlled by any such Person (Persons referred to in clauses (i) through (iv) hereof are hereinafter referred to as "Excluded Persons"); or

(bb) individuals who constituted the Board as of May 15, 2001 (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to May 15, 2001 whose appointment to fill a vacancy or to fill a new Board position or whose nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board or who was nominated for election by Excluded Persons shall be considered as though such individual were a member of the Incumbent Board; or

(cc) the Company merges with or consolidates into or engages in a reorganization or similar transaction with another entity pursuant to a transaction in which the Company is not the "Controlling Corporation"; or

(dd) the Company sells or otherwise disposes of all or substantially all of its assets, other than to Excluded Persons.

For purposes of clause (aa) above, if at any time there exist securities of different classes entitled to vote separately in the election of directors, the calculation of the proportion of the voting power held by a beneficial owner of the Company's securities shall be determined as follows: first, the proportion of the voting power represented by securities held by such beneficial owner of each separate class or group of classes voting separately in the election of directors shall be determined, provided that securities representing more than 50% of the voting power of securities of any such class or group of classes shall be deemed to represent 100% of such voting power; second, such proportion shall then be multiplied by a fraction, the numerator of which is the number of directors which such class or classes is entitled to elect and the denominator of which is the total number of directors elected to membership on the Board at the time; and third, the product obtained for each such separate class or group of classes shall be added together, which sum shall be the proportion of the combined voting power of the Company's outstanding securities held by such beneficial owner.

For purposes of clause (aa) above, the term "Outside Persons" means any Persons other than (I) Persons described in clauses (aa)(i) or (iii) or (iv) above (as to Persons described in clause (aa)(iii) or (iv) above, while they are Excluded Persons) and (II) members of senior management of the Company in office immediately prior to the time the Acquiring Person acquires the beneficial ownership described in clause (aa).

For purposes of clause (cc) above, the Company shall be considered to be the Controlling Corporation in any merger, consolidation, reorganization or similar transaction unless either (1) the shareholders of the Company immediately prior to the consummation of the transaction (the "Old Shareholders") would not, immediately after such consummation, beneficially own, directly or indirectly, securities of the resulting entity entitled to elect a majority of the members of the Board of Directors or other governing body of the resulting entity or (2) those persons who were directors of the Company immediately prior to the consummation of the proposed transaction would not, immediately after such consummation, constitute a majority of the directors of the resulting entity, provided that (I) there shall be excluded from the determination of the voting power of the Old Shareholders securities in the resulting entity beneficially owned, directly or indirectly, by the other party to the transaction and any such securities beneficially owned, directly or indirectly, by any Person acting in concert with the other party to the transaction, (II) there shall be excluded from the determination of the voting power of the Old Shareholders securities in the resulting entity acquired in any such transaction other than as a result of the beneficial ownership of Company securities prior to the transaction and (III) persons who are directors of the resulting entity shall be deemed not to have been directors of the Company immediately prior to the consummation of the transaction if they were elected as directors of the Company within 90 days prior to the consummation of the transaction.

The exclusion described in clause (aa)(iii) above shall cease to have any force or effect (and the Person described therein shall cease to be an Excluded Person) if that Person becomes an "Acquiring Person" within the meaning of the Amended and Restated Rights Agreement dated as of November 15, 2000 between the Company and Mellon Investor Services LLC, as amended from time to time. The exclusion described in clause (aa)(iv) above shall cease to have any force or effect (and the Persons described therein shall cease to be Excluded Persons) if (A) the Person acquiring beneficial ownership is not controlled by David Bonderman or James Coulter, or (B) the Person acquiring beneficial ownership (together with any Person controlling, controlled by or under common control with such Person) ceases to be after such acquisition, for a period of thirty consecutive calendar days, the beneficial owner, directly or indirectly, of securities of the Company representing at least 25% of the combined voting power of the Company's outstanding securities.

Upon the occurrence of a Change in Control, with respect to each recipient of an Award hereunder, (AA) all Options granted to such recipient and outstanding at such time shall immediately vest and become exercisable in full (but subject, however, in the case of Incentive Stock Options, to the aggregate fair market value, determined as of the date the Incentive Stock Options are granted, of the stock with respect to which Incentive Stock Options are exercisable for the first time by such recipient during any calendar year not exceeding \$100,000) and, except as required by law, all restrictions on the transfer of shares acquired pursuant to such Options shall terminate, (BB) all restrictions applicable to such recipient's Restricted Stock and Incentive Awards that are outstanding at such time shall be deemed to have been satisfied and such Restricted Stock and Incentive Awards shall immediately vest in full, and (CC) all Retention Awards granted to such recipient and outstanding at such time shall immediately vest in full.

In addition, except as otherwise provided in the applicable Grant Document, if a recipient of an Award hereunder becomes entitled to one or more payments (with a "payment" including, without limitation, the vesting of an Award) pursuant to the terms of the Plan (the "Total Payments"), which are or become subject to the tax imposed by section 4999 of the Code (or any similar tax that may hereafter be imposed) (the "Excise Tax"), the Company or subsidiary for whom the recipient is then performing services shall pay to the recipient an additional amount (the "Gross-Up Payment") such that the net amount retained by the recipient, after reduction for any Excise Tax on the Total Payments and any federal, state and local income or employment tax and Excise Tax on the Gross-Up Payment, shall equal the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the recipient shall be deemed (aa) to pay federal income taxes at the highest stated rate of federal income taxation (including surtaxes, if any) for the calendar year in which the Gross-Up Payment is to be made; and (bb) to pay any applicable state and local income taxes at the highest stated rate of taxation (including surtaxes, if any) for the calendar year in which the Gross-Up Payment is to be made. Any Gross-Up Payment required hereunder shall be made to the recipient at the same time any Total Payment subject to the Excise Tax is paid or deemed received by the recipient.

13. AMENDMENT AND TERMINATION OF THE PLAN

Subject to the last sentence of Section 3 hereof, the Board in its discretion may terminate the Plan at any time. The Board shall have the right to amend the Plan or any part thereof from time to time, and the Administrator may amend any Award (and its related Grant Document) at any time, except as otherwise specifically provided in such Grant Document; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder thereof without the consent of such Holder, and provided further that the Board may not, without approval of the stockholders of the Company, amend the Plan to (a) increase the maximum aggregate number of shares that may be issued under the Plan or (b) change the class of individuals eligible to receive Awards under the Plan.

14. MISCELLANEOUS

(a) **No Right to an Award.** Neither the adoption of the Plan nor any action of the Board or the Administrator shall be deemed to give an employee or Director any right to be granted an Award except as may be evidenced by a Grant Document from the Company reflecting a grant by the

Company of an Award to such person and setting forth the terms and conditions thereof. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Award.

(b) **No Employment or Membership Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee any right with respect to continuation of employment with the Company or any subsidiary or (ii) interfere in any way with the right of the Company or any subsidiary to terminate his or her employment at any time. Nothing contained in the Plan shall confer upon any Director any right with respect to continuation of membership on the Board.

(c) **Other Laws; Withholding.** The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan until there has been compliance with applicable laws and regulations with respect thereto. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to (i) make deductions from any settlement or exercise of an Award made under the Plan, including the delivery of shares, or require shares or cash or both be withheld from any Award, in each case in an amount sufficient to satisfy withholding of any taxes required by law, or (ii) take such other action as may be necessary or appropriate to satisfy any such tax withholding obligations. The Administrator may determine the manner in which such tax withholding may be satisfied, and may permit shares of Common Stock (together with cash, as appropriate) to be used to satisfy required tax withholding based on the Market Value per Share of any such shares of Common Stock.

(d) **No Restriction on Corporate Action.** Subject to the restrictions contained in Section 13, nothing contained in the Plan shall be construed to prevent the Company or any subsidiary from taking any corporate action, whether or not such action would have an adverse effect on the Plan or any Award granted hereunder. No employee, Director, beneficiary or other person shall have any claim against the Company or any subsidiary as a result of any such action.

(e) **Restrictions on Transfer.** An Award (other than an Incentive Stock Option, which shall be subject to the transfer restrictions set forth in Section 7(c)) shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with respect to Awards of Non-Qualified Options, with the consent of the Administrator. In the discretion of the Administrator, a percentage (determined by the Administrator and set forth in the applicable Grant Document) of the aggregate shares of Common Stock obtained from exercises of an Option (which percentage may be satisfied out of particular exercises as determined by the Administrator and set forth in the applicable Grant Document) shall not be transferable prior to the earliest to occur of (x) the termination of the relevant Option term (or such shorter period as may be determined by the Administrator and set forth in the Grant Document), (y) the Holder's retirement, death or Disability, or (z) termination of the Holder's employment with the Company and its subsidiaries.

(f) **Governing Law.** The Plan shall be construed in accordance with the laws of the State of Texas.

CONTINENTAL AIRLINES, INC.

EXECUTIVE BONUS PERFORMANCE AWARD PROGRAM

(as amended and restated through February 20, 2002)

1. **Purpose.** This Continental Airlines, Inc. Executive Bonus Performance Award Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000") adopted by the Board of Directors of the Company, and is intended to provide a method for attracting, motivating, and retaining key officers of the Company and its subsidiaries and to compensate such officers based on performance goals consisting of achievement of cumulative quarterly net income targets or EBITDAR margin rankings of the Company and its consolidated subsidiaries as described herein. The Program and participation hereunder shall be subject to the terms of the Incentive Plan 2000, including the limitations on the maximum value of awards contained therein.

2. **Participants.** Each of the Chief Executive Officer, the Chief Operating Officer, each Executive Vice President and each Senior Vice President of the Company shall automatically participate in the Program with respect to each fiscal year, and, with respect to a particular fiscal year, such other officers of the Company or its subsidiaries shall participate in the Program as may be recommended to the Human Resources Committee of the Board of Directors of the Company (the "Committee") by the Chief Executive Officer of the Company and designated by the Committee to be a participant in the Program with respect to such fiscal year. Each of the foregoing persons is referred to herein as a "Participant", and the right to participate in the Program for a fiscal year or portion thereof constitutes a Performance Award (as such term is defined in the Incentive Plan 2000) under the Incentive Plan 2000. The Chief Executive Officer shall have the power to terminate any Participant's participation in the Program upon written notice to such Participant of such termination, subject to ratification of such action by the Committee.

3. **Definitions.** Where the following words and phrases are used in this Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

- a. "Budget" with respect to a fiscal year means the cumulative quarterly net income targets, as established by the Committee with respect to such fiscal year or portion thereof, whether or not they are the same as those contained in or derived from the Annual Financial Plan of the Company with respect to such fiscal year contemplated by Section 3.3 of the By-Laws of the Company.
- b. "Cumulative Actual Net Income" with respect to a quarter means the aggregate consolidated net income of the Company and its consolidated subsidiaries, as shown on the regularly prepared statement of operations of the Company prepared in accordance with GAAP, as adjusted for unbudgeted (i) one-time gains or losses from the disposal of assets, (ii) write-offs of assets (including aircraft and associated parts), and (iii) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii) and (iii) as determined by the Committee, for the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter.
- c. "Cumulative Base Salary" with respect to a quarter means the aggregate of the Participant's base salary earned, while a Participant under the Program, during the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter.
- d. "Cumulative EBITDAR" with respect to a quarter means, with respect to each company in the Industry Group, the aggregate earnings of such company and its consolidated subsidiaries during the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of each company in the Industry Group prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. If a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- e. "Cumulative EBITDAR Margin" means, with respect to each company in the Industry Group and each quarter, the Cumulative EBITDAR for such company with respect to such quarter, divided by such company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with GAAP) over the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter. If a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's Cumulative EBITDAR Margin shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- f. "Cumulative Number 1, Number 2 or Number 3 Ranking" with respect to a quarter means the Company ranks first, second or third when comparing the Cumulative EBITDAR Margins with respect to such quarter for all companies comprising the Industry Group as of the last day of such quarter, and that the Company has achieved the Operating Income Hurdle with respect to such quarter.
- g. "Cumulative Target Net Income" with respect to a quarter means the aggregate consolidated net income of the Company and its consolidated subsidiaries, as set forth in the Budget, for the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter.

- h. "EBITDAR Margin Quarterly Bonus" with respect to a Participant for a fiscal quarter shall be equal to (i) the dollar amount calculated by multiplying such Participant's Cumulative Base Salary with respect to such quarter by (x) 125%, if the Company has a Cumulative Number 1, Number 2 or Number 3 Ranking with respect to such quarter, or (y) 0 (zero)%, if the Company does not have a Cumulative Number 1, Number 2 or Number 3 Ranking with respect to such quarter, less (ii) the amount of the Quarterly Bonuses (as defined below) received by such Participant with respect to prior quarters in the fiscal year in which such quarter ends. With respect to the Company's 2000 fiscal year only, quarterly bonuses paid under the Company's prior executive bonus program to persons who are Participants under this Program with respect to fiscal quarters in 2000 ending prior to the quarter during which Stockholder Approval is obtained shall be deducted for purposes of clause (ii) of the foregoing sentence.
- i. "GAAP" means United States generally accepted accounting principles, consistently applied.
- j. "Industry Group" has the meaning set forth in Section 5 hereof.
- k. "LTIP Program" means the Continental Airlines, Inc. Long Term Incentive Performance Award Program, as amended from time to time.
- l. "Net Income Quarterly Bonus" with respect to a Participant for a fiscal quarter shall be equal to (i) the dollar amount calculated by multiplying such Participant's Cumulative Base Salary with respect to such quarter by (x) (in the case of a positive variance (which shall include a zero variance)), 100% plus the positive variance, if any, expressed as a percentage (but in no event more than 25%), between the Cumulative Actual Net Income with respect to such quarter, and the Cumulative Target Net Income with respect to such quarter, or (y) (in the case of a negative variance), 100% less the absolute value of the negative variance, expressed as a percentage, between the Cumulative Actual Net Income with respect to such quarter, and the Cumulative Target Net Income with respect to such quarter (provided, that if such negative variance is greater than negative 25% (e.g., negative 30%), then such negative variance shall be deemed negative 100%), less (ii) the amount of the Quarterly Bonuses received by such Participant with respect to prior quarters in the fiscal year in which such quarter ends. With respect to the Company's 2000 fiscal year only, quarterly bonuses paid under the Company's prior executive bonus program to persons who are Participants under this Program with respect to fiscal quarters in 2000 ending prior to the quarter during which Stockholder Approval is obtained shall be deducted for purposes of clause (ii) of the foregoing sentence.

(m) "Operating Income Hurdle" with respect to a quarter means the achievement by the Company, during the period commencing on the first day of the fiscal year of the Company in which such quarter occurs and ending on the last day of such quarter, of an operating income equal to or greater than (1) with respect to the first fiscal quarter, 19%, (2) with respect to the second fiscal quarter, 52.8%, (3) with respect to the third fiscal quarter, 83.6% and (4) with respect to the fourth fiscal quarter, 100%, of the dollar amount of the "Operating Income Hurdle" with respect to the "Performance Period" (as such terms are defined in the LTIP Program) commencing on the first day of the fiscal year of the Company in which such quarter occurs, as reflected on the regularly prepared and publicly available statements of operations of the Company and its consolidated subsidiaries prepared in accordance with GAAP, adjusted to exclude (i) accruals with respect to the Program, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and the effect on annual operating income of the disposition of all or a significant portion of a business, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. The effect on annual operating income of the disposition of all or a significant portion of a business shall be determined by comparing (A) the operating income of the Company and its consolidated subsidiaries for the most recently completed fiscal year immediately preceding the date that such business is deconsolidated, in accordance with GAAP, from the Company's consolidated financial statements, with (B) the pro-forma annual operating income of the Company and its consolidated subsidiaries for such fiscal year, as set forth in a pro-forma condensed income statement of the Company and its consolidated subsidiaries covering such fiscal year and reflecting such disposition as if it had occurred at the beginning of such fiscal year, prepared in accordance with Rules 11-01 and 11-02 of Regulation S-X under the Securities Exchange Act of 1934, as amended (irrespective of whether such rules would require the preparation thereof). The annual operating income of the year in which the disposition and deconsolidation occurs (pro-rated for the date of occurrence) shall be adjusted for such effect.

4. Quarterly Bonuses. Commencing with the Company's fiscal quarter during which Stockholder Approval (as defined below) is obtained, each Participant in the Program who has remained continuously employed by the Company or a subsidiary during the entire fiscal quarter with respect to which the Quarterly Bonus (as defined below) is to be paid, shall receive, on a fiscal quarterly basis as soon as reasonably practicable after the certification by the Committee described in Section 6 below with respect to such quarter, a cash bonus (a "Quarterly Bonus"), if any, equal to the greater of the Net Income Quarterly Bonus or the EBITDAR Margin Quarterly Bonus for such quarter.

- 1. **Industry Group.** The Industry Group shall consist of the Company, AMR Corporation, Delta Air Lines, Inc., Northwest Airlines Corporation, Trans World Airlines, Inc., UAL Corporation, and US Airways Group, Inc.; provided, however, that (a) prior to commencement of each fiscal year of the Company that begins after January 1, 2000, the Committee may in its discretion add any United States certificated scheduled mainline air carrier to, or remove any such company (other than the Company) from, the Industry Group for such fiscal year and (b) the Industry Group shall be subject to adjustment as provided in the following paragraph.

Except as provided in clause (a) of the proviso to the preceding paragraph, no company shall be added to, or removed from, the Industry Group during any fiscal quarter; provided, however, that a company (other than the Company) shall be removed from the Industry Group for a fiscal quarter and subsequent quarters of a fiscal year if (a) during such fiscal quarter, (i) such company ceases to maintain publicly available statements of operations prepared in accordance with GAAP, (ii) such company is not the surviving entity in any merger, consolidation, or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of such company), (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned subsidiary of such company), or (iv) such company is dissolved and liquidated, or (b) more than 20% of such company's revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with GAAP) for such fiscal quarter are attributable to the operation of businesses other than such company's airline business and such company does not provide publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses.

6. Administration. The Program will be administered by the Committee, which at all times will consist of not less than two persons, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The action of a majority of the members of the Committee will be the act of the Committee. The Committee shall, prior to the commencement of each fiscal year of the Company beginning on or after January 1, 2000, establish in writing the Budget for such fiscal year for purposes of this Program. In establishing the Budget, the Committee may in its discretion adopt as targets cumulative quarterly net income amounts derived from the net income amounts contained in the Annual Financial Plan of the Company contemplated by Section 3.3 of the Company's By-Laws.

The interpretation and construction by the Committee of any provision of the Program, and any determination or action by the Committee pursuant to any provision hereof, will be final and conclusive for all purposes, and each Participant's participation in the Program is expressly subject to the foregoing. No member of the Committee shall be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to the Committee by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters such member reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Committee, then the dispute will be limited to whether the Committee has satisfied its duty to make such decision or determination or take such action in good faith.

As to each fiscal quarter during which the Program is effective, the Committee will certify in writing, prior to the payment of any Quarterly Bonus with respect to such quarter, whether the Cumulative Target Net Income and Cumulative Number 1, Number 2 or Number 3 Ranking performance goals set forth herein have been met and whether any other material terms relating to the payment of such Quarterly Bonuses have been satisfied, to the extent required by section 162(m) of the Code.

7. Payments upon a Change in Control. If a Change in Control occurs (as such term is defined in the Incentive Plan 2000, as in effect on May 15, 2001) and thereafter (or in connection therewith or in contemplation thereof) during the year in which such Change in Control occurs (a "Change Year"), a Participant suffers a Qualifying Event (as herein defined), then such Participant shall, upon the occurrence of the Qualifying Event, receive an amount in cash from the Company equal to (x) the aggregate Quarterly Bonuses such Participant would have received under the Program had the Company achieved a Cumulative Number 1, Number 2 or Number 3 Ranking with respect to each quarter during the Change Year, less (y) the aggregate of the Quarterly Bonuses paid to such Participant pursuant to the Program during the Change Year through the date immediately prior to the occurrence of the Qualifying Event (with respect to the Company's 2000 fiscal year only, quarterly bonuses paid under the Company's prior executive bonus program to persons who are Participants under this Program with respect to fiscal quarters in 2000 ending prior to the quarter during which Stockholder Approval is obtained shall be deducted for purposes of clause (y) of the foregoing sentence), and such Participant shall not be entitled to any additional Quarterly Bonuses with respect to such Change Year. As used herein, the term "Qualifying Event" with respect to a Participant means (i) the termination of such Participant's participation in the Program, (ii) the assignment to such Participant by the Board of Directors or the Committee or other officers or representatives of the Company of duties materially inconsistent with the duties associated with his position as such duties are constituted as of the first day of the Change Year, (iii) a material diminution in the nature or scope of such Participant's authority, responsibilities, or title from those applicable to him as of the first day of the Change Year, (iv) the occurrence of material acts or conduct on the part of the Company or its officers or representatives which prevent such Participant from performing his duties and responsibilities as they existed on the first day of the Change Year, (v) the Company requiring such Participant to be permanently based anywhere outside a major urban center in the state (or, if applicable, foreign country, U.S. territory or other applicable sovereign entity) in which he was based as of the first day of the Change Year, or (vi) the taking of any action by the Company that would materially adversely affect the corporate amenities enjoyed by such Participant on the first day of the Change Year, except in each case if such Participant's employment with the Company and its subsidiaries is terminated (a) upon such Participant's death, (b) upon disability entitling him or her to benefits under the Company's group long-term disability plan, (c) for cause, which for purposes hereof shall mean (1) in the case of a Participant with an employment agreement with the Company or a subsidiary, the involuntary termination by the Company (or, if applicable, a subsidiary) of such Participant's employment under circumstances that do not require the Company (or such subsidiary) to pay to such Participant a "Termination Payment" or "Monthly Severance Amount", as such terms are defined in such Participant's employment agreement, and (2) in the case of a Participant who does not have an employment agreement with the Company or a subsidiary, the involuntary termination by the Company (or, if applicable, a subsidiary) of such Participant's employment based upon a determination by the Committee or an authorized officer of the Company (or such subsidiary) that such Participant has engaged in gross negligence or willful misconduct in the performance of, or such Participant has abused alcohol or drugs rendering him or her unable to perform, the material duties and services required of him or her in his or her employment, or (d) upon the voluntary resignation from employment of such Participant (other than in connection with circumstances which would permit such Participant to receive severance benefits pursuant to any contract of employment between such Participant and the Company or any of its subsidiaries).

8. Amendments, Termination and Other Matters. Subject to the other provisions of this Section 8, this Program may be amended from time to time or terminated by the Committee; *provided* that this Program may not be amended by the Committee without the further approval of the stockholders of the Company if such amendment would result in the Program no longer satisfying the requirements of section 162(m) of the Code, and this Program may not be amended or terminated in contemplation of or in connection with a Change in Control, nor may any Participant's participation herein be terminated in contemplation of or in connection with a Change in Control, unless adequate and effective provision for the making of all payments otherwise payable (based on Participants' base salaries as in effect immediately prior to such Change in Control) pursuant to Section 7 of this Program (as in effect on the date of Stockholder Approval) with respect to such Change in Control shall be made in connection with any such amendment or termination.

Participation in the Program by a Participant shall terminate upon such Participant's termination of employment with the Company and its subsidiaries or as otherwise set forth herein, and no Participant shall have any right to continue to participate in the Program or have any vested right to any bonus or other payment hereunder (except as aforesaid in connection with a Change in Control and except with respect to quarterly periods which have already passed prior to such amendment or termination or prior to such Participant's termination of employment with the Company and its subsidiaries).

Participation in the Program shall not confer any right of future employment. The Program is not intended to create a pension or welfare benefit plan and is intended to be exempt from application of the Employee Retirement Income Security Act of 1974, as amended. The Program is unfunded and shall not create, or be construed to create, a trust or separate fund or funds, and each Participant shall be entitled only to look to the Company for any benefit hereunder, and shall have no greater right than an unsecured creditor of the Company.

No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its subsidiaries, under or by reason of this Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

No bonus or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any bonus or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to bonuses hereunder shall be payable only to the Participant (or in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to his or her estate). The provisions of this Program shall be binding on all successors and assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

This Program shall be construed in accordance with the laws of the State of Texas.

9. **Tax Withholding.** The Company shall have the right to withhold from any payment hereunder all applicable federal, state, local and other taxes as required by law.

10. **Effective Date.** This Program shall be effective as of the first day of the fiscal quarter during which the Incentive Plan 2000 is approved by the Company's stockholders in the manner required under section 162(m) of the Code at the Company's 2000 annual meeting of stockholders ("Stockholder Approval"). Notwithstanding any provision herein to the contrary, no payment under the Program shall be made to or on behalf of any Participant unless the Incentive Plan 2000 is so approved by the Company's stockholders. If the Company's stockholders do not so approve the Incentive Plan 2000, then the Program shall automatically terminate and no bonuses shall be paid hereunder.

The Company's current executive bonus program, as in effect on October 4, 1999 (sometimes referred to herein as the Company's "prior executive bonus program"), is hereby terminated as of the first day of the fiscal quarter during which the Company's 2000 annual meeting of stockholders occurs.

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument on this 20th day of February, 2002, effective as stated above.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

CONTINENTAL AIRLINES, INC.

LONG TERM INCENTIVE PERFORMANCE AWARD PROGRAM

(as amended and restated through February 20, 2002)

I. PURPOSE OF PROGRAM

This Continental Airlines, Inc. Long Term Incentive Performance Award Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000") adopted by the Board of Directors of the Company, and is intended to provide a method for attracting, motivating, and retaining key employees to assist in the development and growth of the Company and its Subsidiaries. The Program and Awards hereunder shall be subject to the terms of the Incentive Plan 2000, including the limitations on the maximum value of Awards contained therein.

II. DEFINITIONS AND CONSTRUCTION

1. **Definitions.** Where the following words and phrases are used in the Program, they shall have the respective meanings set forth below, unless the context clearly indicates to the contrary:

(a) "Administrator" means (i) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is subject to Section 16 of the Securities Exchange Act of 1934, as amended (including any successor section to the same or similar effect, "Section 16"), the Committee, or (ii) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator.

(b) "Award" means, with respect to each Participant for a Performance Period, such Participant's opportunity to earn a Payment Amount for such Performance Period upon the satisfaction of the terms and conditions of the Program. Awards hereunder constitute Performance Awards (as such term is defined in the Incentive Plan 2000) under the Incentive Plan 2000.

(c) "Award Notice" means a written notice issued by the Company to a Participant evidencing such Participant's receipt of an Award with respect to a Performance Period.

(d) "Base Amount" means the sum of (i) the annual base rate of pay paid or payable in cash by the Company and the Subsidiaries to or for the benefit of a Participant for services rendered or labor performed, plus (ii) an additional amount equal to (1) for all Participants other than those described in Section 2.1(z)(vi), 2.1(z)(vii) or 2.1(z)(viii) below, 125% of the amount described in clause (i), and (2) for all Participants described in Section 2.1(z)(vi), 2.1(z)(vii) or 2.1(z)(viii) below, 37.5% of the amount described in clause (i). Base Amount shall be determined without reduction for amounts a Participant could have received in cash in lieu of (A) elective deferrals under the Company's Deferred Compensation Plan or (B) elective contributions made on such Participant's behalf by the Company or a Subsidiary pursuant to a qualified cash or deferred arrangement (as defined in section 401(k) of the Code) or pursuant to a plan maintained under section 125 of the Code.

(e) "Board" means the Board of Directors of the Company.

(f) "Cause" means (i) in the case of a Participant with an employment agreement with the Company or a Subsidiary, the involuntary termination of such Participant's employment by the Company (or, if applicable, a Subsidiary) under circumstances that do not require the Company (or such Subsidiary) to pay to such Participant a "Termination Payment" or "Monthly Severance Amount," as such terms are defined in such Participant's employment agreement, and (ii) in the case of a Participant who does not have an employment agreement with the Company or a Subsidiary, the involuntary termination of such Participant's employment by the Company (or, if applicable, a Subsidiary) based upon a determination by the Administrator or an authorized officer of the Company (or such Subsidiary) that such Participant has engaged in gross negligence or willful misconduct in the performance of, or such Participant has abused alcohol or drugs rendering him or her unable to perform, the material duties and services required of him or her in his or her employment.

(g) "Change in Control" shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on May 15, 2001.

(h) "Change Year" means the calendar year during which a Change in Control occurs.

(i) "Code" means the Internal Revenue Code of 1986, as amended.

(j) "Committee" means a committee of the Board comprised solely of two or more outside directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code). Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.

(k) "Company" means Continental Airlines, Inc., a Delaware corporation.

(l) "Company Stock" means the Class B common stock, par value \$0.01 per share, of the Company.

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

(n) "EBITDAR" means, with respect to each company in the Industry Group and each Performance Period, the aggregate earnings of such company and its consolidated subsidiaries during the Performance Period, determined prior to the charges, costs, and expenses associated with

interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of each company in the Industry Group prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR for a Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.

(o) "EBITDAR Margin" means, with respect to each company in the Industry Group and each Performance Period, the cumulative EBITDAR for such company for such Performance Period divided by such company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with GAAP) over such Performance Period. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR Margin for a Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR Margin shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.

(p) "Effective Date" means January 1, 2000.

(q) "Eligible Employee" means any individual who is (i) a staff vice president or more senior officer of the Company or (ii) a vice president or more senior officer of a Subsidiary, or (iii) any other officer of the Company or any Subsidiary designated by the Administrator as an Eligible Employee for purposes of the Program.

(r) "GAAP" means United States generally accepted accounting principles, consistently applied.

(s) "Incentive Plan 2000" means the Continental Airlines, Inc. Incentive Plan 2000, as amended from time to time.

(t) "Industry Group" means, with respect to each Performance Period, the companies determined in accordance with the provisions of Article V for such Performance Period.

(u) "Market Value per Share" means, as of any specified date, the closing sales price of Company Stock on that date (or, if there are no sales on that date, the last preceding date on which there was a sale) in the principal securities market in which the Company Stock is then traded.

(v) "Number 1 Ranking," "Number 2 Ranking," and "Number 3 Ranking" shall have the meanings assigned to such terms in Section 2.1(bb).

- a. "Operating Income Hurdle" with respect to a Performance Period means the achievement by the Company, during such Performance Period, of an average annual operating income of \$300 million (or, with respect to any Performance Period beginning after the Effective Date, such other amount as may be established by the Committee prior to the commencement of the applicable Performance Period) or more, as reflected on the regularly prepared and publicly available statements of operations of the Company and its consolidated subsidiaries prepared in accordance with GAAP, adjusted to exclude (i) accruals with respect to the Program, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and the effect on annual operating income of the disposition of all or a significant portion of a business, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. The effect on annual operating income of the disposition of all or a significant portion of a business shall be determined by comparing (A) the operating income of the Company and its consolidated subsidiaries for the most recently completed fiscal year immediately preceding the date that such business is deconsolidated, in accordance with GAAP, from the Company's consolidated financial statements, with (B) the pro-forma annual operating income of the Company and its consolidated subsidiaries for such fiscal year, as set forth in a pro-forma condensed income statement of the Company and its consolidated subsidiaries covering such fiscal year and reflecting such disposition as if it had occurred at the beginning of such fiscal year, prepared in accordance with Rules 11-01 and 11-02 of Regulation S-X under the Securities Exchange Act of 1934, as amended (irrespective of whether such rules would require the preparation thereof). The annual operating income of the year in which the disposition and deconsolidation occurs (pro-rated for the date of occurrence), and each following year in Performance Periods for then-outstanding Awards, shall be adjusted for such effect.

(x) "Participant" means an Eligible Employee who has received an Award under the Program with respect to a Performance Period pursuant to Section 4.1.

(y) "Payment Amount" means, with respect to each Participant and each Performance Period for which the Performance Target is satisfied, an amount equal to (i) such Participant's Base Amount in effect as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, multiplied by (ii) the Payout Percentage applicable to such Participant for such Performance Period; provided, however, that the Payment Amount with respect to each Participant with respect to the Performance Period commencing on January 1, 2000 and ending on December 31, 2000 shall be one-third of the amount calculated in accordance with the foregoing formula, and the Payment Amount with respect to each Participant with respect to the Performance Period commencing on January 1, 2000 and ending on December 31, 2001 shall be two-thirds of the amount calculated in accordance with the foregoing formula. Notwithstanding the foregoing, in no event shall the aggregate Payment Amounts with respect to any Performance Period exceed 5% of the actual average annual operating income of the Company and its consolidated subsidiaries with respect to such Performance Period (the "Program Cap"), as reflected on the regularly prepared and publicly available statements of operations of the Company and its consolidated subsidiaries prepared in accordance with GAAP, adjusted to exclude (i) accruals with respect to the Program, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. All Payment Amounts with respect to any Performance Period in which the Program Cap would, but for the foregoing limitation, be exceeded shall be reduced pro-rata so that the aggregate Payment Amounts equal the Program Cap.

(z) "Payout Percentage" means, with respect to each Performance Period for which the Performance Target is satisfied:

(i) In the case of a Participant who is the Company's Chief Executive Officer as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 150% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 100% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 75% if the Company achieves a Number 3 Ranking for such Performance Period;

(ii) In the case of a Participant who is the Company's President as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 135% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 90% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 70% if the Company achieves a Number 3 Ranking for such Performance Period;

(iii) In the case of a Participant who is an Executive Vice President of the Company as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 100% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 75% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 50% if the Company achieves a Number 3 Ranking for such Performance Period;

(iv) In the case of a Participant who is a Senior Vice President of the Company (or who is the President of Continental Express, Inc.) as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 70% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 50% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 30% if the Company achieves a Number 3 Ranking for such Performance Period;

(v) In the case of a Participant (other than a Participant described in any of clauses (i), (ii), (iii) or (iv) above) who is a participant in the Company's Executive Bonus Program as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 55% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 40% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 25% if the Company achieves a Number 3 Ranking for such Performance Period;

- i. In the case of a Participant who is designated as a Category 1 officer by the Administrator and is not described in any of clauses (i), (ii), (iii), (iv) or (v) above as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 85% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 55% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 40% if the Company achieves a Number 3 Ranking for such Performance Period;
- ii. In the case of a Participant who is designated as a Category 2 officer by the Administrator and is not described in any of clauses (i), (ii), (iii), (iv), (v) or (vi) above as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 65% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 40% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 30% if the Company achieves a Number 3 Ranking for such Performance Period; and
- iii. In the case of a Participant who is designated as a Category 3 officer by the Administrator and is not described in any of clauses (i), (ii), (iii), (iv), (v), (vi) or (vii) above as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death or Disability, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, (A) 30% if the Company achieves a Number 1 Ranking for such Performance Period, (B) 20% if the Company achieves a Number 2 Ranking for such Performance Period, and (C) 15% if the Company achieves a Number 3 Ranking for such Performance Period.

Notwithstanding the foregoing, if an Eligible Employee becomes a Participant and receives an Award with respect to a Performance Period after the first day of such Performance Period, the Administrator may, in its sole discretion, reduce the percentages set forth in this Section 2.1(z) as they shall apply to such Participant for such Performance Period.

(aa) "Performance Period" means: (i) as to the first Performance Period under the Program, the period commencing on the Effective Date and ending on December 31, 2000, (ii) as to the second Performance Period under the Program, the period commencing on the Effective Date and ending on December 31, 2001, (iii) as to the third Performance Period under the Program, the period commencing on the Effective Date and ending on December 31, 2002, and (iv) each three-year period commencing on the first day of a calendar year that begins after the Effective Date. Notwithstanding the foregoing, no new Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.

(bb) "Performance Target" means, with respect to a Performance Period, that (1) the EBITDAR Margin for the Company for such Performance Period ranks first (a "Number 1 Ranking"), second (a "Number 2 Ranking"), or third (a "Number 3 Ranking") when comparing the EBITDAR Margins for such Performance Period for all companies comprising the Industry Group as of the last day of such Performance Period, and (2) the Operating Income Hurdle with respect to such Performance Period has been achieved.

(cc) "Program" means this Continental Airlines, Inc. 1999 Long Term Incentive Performance Award Program, as amended from time to time.

(dd) "Qualifying Event" means, with respect to a Participant, (i) the termination of such Participant's employment with the Company, (ii) the assignment to such Participant by the Board or the Administrator or other officers or representatives of the Company (or, if applicable, a Subsidiary) of duties materially inconsistent with the duties associated with his or her position as such duties are constituted as of the first day of the Change Year, (iii) a material diminution in the nature or scope of such Participant's authority, responsibilities, or title from those applicable to him or her as of the first day of the Change Year, (iv) the occurrence of material acts or conduct on the part of the Company (or, if applicable, a Subsidiary) or its officers or representatives which prevent such Participant from performing his or her duties and responsibilities as they existed on the first day of the Change Year, (v) the Company (or, if applicable, a Subsidiary) requiring such Participant to be permanently based anywhere outside a major urban center in the state (or, if applicable, foreign country, U.S. territory or other applicable sovereign entity) in which he or she was based as of the first day of the Change Year, or (vi) the taking of any action by the Company (or, if applicable, a Subsidiary) that would materially adversely affect the corporate amenities enjoyed by such Participant on the first day of the Change Year, except in each case if such Participant's employment with the Company is terminated (1) for Cause, (2) upon such Participant's death or Disability, or (3) upon the voluntary resignation of such Participant (other than in connection with circumstances which would permit such Participant to receive severance benefits (including a "Termination Payment" or "Monthly Severance Amount," as such terms are defined in such Participant's employment agreement) pursuant to any contract of employment between such Participant and the Company or any Subsidiary).

(ee) "Stock Options" means options to acquire shares of Company Stock, awarded under a stock incentive plan established and maintained by the Company. Stock Options shall not constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. Each Stock Option shall (i) have a purchase price per share equal to the fair market value (determined under the stock incentive plan under which such Stock Option is granted) of a share of Company Stock as of the date of grant of such Stock Option (which shall be the date of the Cancellation Notice described in Section 6.6), (ii) become exercisable on each anniversary of the date of grant thereof (until such Stock Option is exercisable in full), in an amount equal to that percentage of the shares covered thereby as is equal to (A) 100% divided by (B) the number of full years (rounded up to the next highest number of full years, and in no event less than one year) between the date of grant of such Stock Option and the last day of the Performance Period for the Award (or portion thereof) which has been cancelled and replaced by the Stock Option, (iii) have a term of at least five years from the date of grant, and (iv) except as described in clauses (ii) and (iii) above, have the same terms as other non-qualified stock options granted by the Company to employees under the relevant stock incentive plan established and maintained by the Company.

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

(gg) "Trading Day" means a day during which trading in securities generally occurs in the principal securities market in which Company Stock is traded.

2.2 Number, Gender, Headings, and Periods of Time. Wherever appropriate herein, words used in the singular shall be considered to include the plural, and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Program, shall be deemed to include the feminine gender. The headings of Articles, Sections, and Paragraphs herein are included solely for convenience. If there is any conflict between such headings and the text of the Program, the text shall control. All references to Articles, Sections, and Paragraphs are to this Program unless otherwise indicated. Any reference in the Program to a period or number of days, weeks, months, or years shall mean, respectively, calendar days, calendar weeks, calendar months, or calendar years unless expressly provided otherwise.

III. ADMINISTRATION

3.1 Administration by the Administrator. The Program shall be administered by the Administrator, so that (i) Awards made to, and the administration (or interpretation of any provision) of the Plan as it relates to, any person who is subject to Section 16, shall be made or effected by the Committee, and (ii) Awards made to, and the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, shall be made or effected by the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator. The action of a majority of the members of the Committee will be the act of the Committee.

3.2 Powers of the Administrator. The Administrator shall supervise the administration and enforcement of the Program according to the terms and provisions hereof and shall have the sole discretionary authority and all of the powers necessary to accomplish these purposes. The Administrator (which shall be limited solely to the Committee with respect to clauses (e), (f), (g), (h), (i) and (j) below) shall have all of the powers specified for it under the Program, including, without limitation, the power, right, or authority: (a) to designate an Eligible Employee as a Participant with respect to a Performance Period at any time prior to the last day of such period, (b) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program or the Incentive Plan 2000, and any such rules and procedures shall be effective as if included in the Program, (c) to construe in its discretion all terms, provisions, conditions, and limitations of the Program and any Award, (d) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program in such manner and to such extent as the Administrator shall deem appropriate, (e) to designate the companies that will comprise the Industry Group with respect to each Performance Period that begins after January 1, 2000, as described in Article V, (f) to make determinations as to EBITDAR and EBITDAR Margin with respect to each company in the Industry Group for each Performance Period, (g) to make determinations as to the Operating Income Hurdle for each Performance Period, (h) to make determinations as to whether the Performance Targets for the various Performance Periods were satisfied, (i) to certify in writing, prior to the payment of any amount under the Program with respect to a Performance Period, whether the Performance Target relating to such Performance Period and any other material terms of the Program have in fact been satisfied, (j) to determine whether to cancel and replace Awards, and make all related determinations and valuations, under Section 6.6, and (k) to

make all other determinations necessary or advisable for the administration of the Program. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Award or Award Notice in the manner and to the extent it shall deem expedient to carry it into effect.

3.3 Administrator Decisions Conclusive; Standard of Care. The Administrator shall, in its sole discretion exercised in good faith (which, for purposes of this Section 3.3, shall mean the application of reasonable business judgment), make all decisions and determinations and take all actions necessary in connection with the administration of the Program. All such decisions, determinations, and actions by the Administrator shall be final, binding, and conclusive upon all persons. However, in the event of any conflict in any such determination as between the Committee and the Chief Executive Officer of the Company, each acting in capacity as Administrator of the Plan, the determination of the Committee shall be conclusive. The Administrator shall not be liable for any action or determination taken or made in good faith or upon reliance in good faith on the records of the Company or information presented to the Administrator by the Company's officers, employees, or other persons (including the Company's outside auditors) as to matters the Administrator reasonably believes are within such other person's professional or expert competence. If a Participant disagrees with any decision, determination, or action made or taken by the Administrator, then the dispute will be limited to whether the Administrator has satisfied its duty to make such decision or determination or take such action in good faith. No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its Subsidiaries, under or by reason of the Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

IV. PARTICIPATION AND AWARD NOTICES

4.1 Participation. Each individual who is an Eligible Employee on the first day of a Performance Period shall automatically be a Participant and receive an Award with respect to such Performance Period, unless otherwise determined by the Administrator prior to the first day of the relevant Performance Period. Each individual who becomes an Eligible Employee after the first day of a Performance Period shall become a Participant and receive an Award with respect to such Performance Period only if such individual is selected prior to the last day of such Performance Period by the Administrator in its sole discretion for participation in the Program with respect to such Performance Period.

4.2 Award Notices. The Company shall provide an Award Notice to each Eligible Employee who becomes a Participant with respect to a Performance Period within 30 days after such Eligible Employee becomes such a Participant; provided, however, that Award Notices for the Performance Periods that begin on the Effective Date shall be provided on or before March 31, 2000. Each Award Notice shall specify (a) the Performance Period to which the Award relates and (b) the potential Payout Percentages applicable to such Award based on the Participant's position as of the date of issuance of the Award Notice.

V. INDUSTRY GROUP

5.1 Initial Designation. The Industry Group shall consist of the Company, AMR Corporation, Delta Air Lines, Inc., Northwest Airlines Corporation, Trans World Airlines, Inc., UAL Corporation, and US Airways Group, Inc.; provided, however, that (a) within 90 days after the first day of each Performance Period that begins after January 1, 2000, the Committee may in its discretion add any United States certificated scheduled mainline air carrier to, or remove any such company (other than the Company) from, the Industry Group for such Performance Period and (b) the Industry Group for each Performance Period shall be subject to adjustment as provided in Section 5.2.

5.2 Adjustments to the Industry Group During a Performance Period. Except as provided in clause (a) of the proviso to Section 5.1, no company shall be added to, or removed from, the Industry Group for a Performance Period during such period; provided, however, that a company (other than the Company) shall be removed from the Industry Group for a Performance Period if (a) during such period, (i) such company ceases to maintain publicly available statements of operations prepared in accordance with GAAP, (ii) such company is not the surviving entity in any merger, consolidation, or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of such company), (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned subsidiary of such company), or (iv) such company is dissolved and liquidated, or (b) more than 20% of such company's revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with GAAP) for any fiscal year of such company that ends during such Performance Period are attributable to the operation of businesses other than such company's airline business and such company does not provide publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses.

VI. AWARD PAYMENTS

6.1 Determinations and Certification by the Committee. As soon as administratively feasible after the end of each Performance Period, the Committee shall determine (a) with respect to each company comprising the Industry Group as of the last day of such Performance Period, the EBITDAR and EBITDAR Margin for such company for such Performance Period, (b) whether the Performance Target for such Performance Period and whether any other material terms relating to the payment of an Award have been satisfied, and (c) if the Performance Target for such Performance Period and any other material terms relating to the payment of an Award have been satisfied, whether the Company achieved a Number 1 Ranking, a Number 2 Ranking, or a Number 3 Ranking for such Performance Period. The Committee's determination as to whether the Performance Target for a Performance Period and any other material terms relating to the payment of an Award have been satisfied and, if so, whether the Company achieved a Number 1 Ranking, a Number 2 Ranking, or a Number 3 Ranking for such Performance Period shall be certified by the Committee in writing and delivered to the Secretary of the Company. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification.

- 2. Eligibility for Payment of Awards.** Upon the Committee's written certification in accordance with Section 6.1 that a Performance Target for a Performance Period and any other material terms relating to the payment of an Award have been satisfied, each Participant who has received an Award with respect to such Performance Period and who has remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period shall be entitled to the Payment Amount applicable to such Participant's Award for such Performance Period. Except as provided in Section 6.3 and Section 6.4, if a Participant's employment with the Company terminates for any reason whatsoever prior to the last day of a Performance Period, then such Participant shall not be entitled to receive any payment under the Program with respect to his or her Award for such Performance Period, unless otherwise determined by the Administrator. Payment of the amount to which a

Participant becomes entitled pursuant to this Section 6.2 shall be made by the Company within five business days after the Committee's written certification of the satisfaction of the applicable Performance Target.

6.3 Death or Disability. Except as provided in Section 6.4, if during a Performance Period with respect to which a Participant has received an Award, such Participant dies or becomes Disabled, then as to such Participant only (a) the Administrator, based on publicly available data with respect to each Performance Period that began prior to the date of such Participant's death or Disability and which has not ended as of such date, shall as promptly as practicable determine the actual EBITDAR Margin and operating income performance of the Company and its consolidated subsidiaries through the most recent practicable date, and shall determine, based on such data and publicly available data with respect to the companies contained in the Industry Group (and, if deemed appropriate by the Administrator, annualizing or otherwise making assumptions with respect to any relevant data), whether the Company has achieved the Performance Target through such most recent practicable date, and if so whether the Company has achieved a Number 1 Ranking, Number 2 Ranking or Number 3 Ranking through such most recent practicable date, and (b) the provisions of Sections 6.1 and 6.2 shall cease to apply with respect to each such Performance Period. With respect to each such Performance Period that the Performance Target has been satisfied in the manner described in clause (a) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (i) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (a) of the foregoing sentence, equal to the Payment Amount applicable to such Participant's Award for such Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the first day of such Performance Period and ending on the date such Participant died or became Disabled, and the denominator of which is the number of days in the entire Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such Performance Period.

6.4 Change in Control. Upon the occurrence of a Change in Control, (a) the Performance Target for each Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied, (b) the Company shall be deemed to have achieved a Number 1 Ranking for each such Performance Period, and (c) the provisions of Sections 6.1, 6.2 and 6.3 shall cease to apply with respect to each such Performance Period. If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during a Performance Period described in the preceding sentence a Participant who has received an Award with respect to such Performance Period dies, becomes Disabled or suffers a Qualifying Event, then, with respect to each such Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) upon the occurrence of the death, Disability or Qualifying Event, receive a payment from the Company equal to the Payment Amount applicable to such Participant's Award for such Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the first day of such Performance Period and ending on the date such Participant died, became Disabled or suffered the Qualifying Event, and the denominator of which is the number of days in the entire Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such Performance Period. If a Change in Control occurs and a Participant who has received an Award with respect to a Performance Period described in the first sentence of this Section 6.4 did not die, become Disabled or suffer a Qualifying Event during such Performance Period as described in the preceding sentence and such Participant remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period, then, with respect to each such Performance Period, such Participant shall receive a payment from the Company on the last day of such Performance Period in an amount equal to the Payment Amount applicable to such Participant's Award for such Performance Period.

6.5 Form of Payment of Awards. All payments to be made under the Program to a Participant with respect to an Award shall be paid in a single lump sum payment (unless otherwise specified in an Award Notice), which payment shall be in cash, unless in the sole discretion of the Committee such payment is made either (a) in shares of Company Stock (subject to any limitations contained in the Incentive Plan 2000), but if and only if at the time of payment the Company has an effective registration statement under the Securities Act of 1933, as amended, covering the issuance of Company Stock under the Program, or (b) in a combination of cash and/or shares of Company Stock. If the Committee elects to direct the Company to pay all or a portion of a payment due under the Program in shares of Company Stock, then the number of shares of Company Stock shall be determined by dividing the amount of such payment to be paid in shares of Company Stock by the Market Value per Share on the Trading Day immediately preceding the date of such payment, and rounding such number down to the nearest whole share.

6.6 Cancellation and Replacement of Awards by the Committee. The Committee may at any time prior to the last day of a Performance Period (other than after, or in contemplation of, a Change in Control, or as to any Award, after the death or Disability of the Participant), in its sole discretion, with or without cause, for any reason that in the opinion of the Committee is in the best interests of the Company, direct the Company to cancel all or any portion of a Participant's Award for such Performance Period, and simultaneously replace such Award (or portion thereof) so cancelled with Stock Options. In determining whether the decision to cancel all or a portion of a Participant's Award is in the best interests of the Company, the Committee shall make its determination in good faith (which, for this purpose, shall mean that the Committee shall exercise reasonable business judgment). This contractual duty to make such decision in good faith is in lieu of, and subsumes, any and all other express or implied duties, in contract, tort, or otherwise, that might otherwise be imposed upon the Committee or the Company with respect to such decision. A decision by the Committee to cause such a cancellation may vary among Participants and may vary among the Awards held by an individual Participant. To effect such a cancellation, the Committee shall cause the Company to deliver to the Participant a written notice (the "Cancellation Notice") specifying the Participant's Award (or portion thereof) to be cancelled, accompanied by a grant document for the Stock Options replacing the cancelled Award (or portion thereof). Upon delivery of the Cancellation Notice accompanied by such grant document for the Stock Options replacing the cancelled Award (or portion thereof), the Award (or portion thereof) that is to be cancelled as specified in such notice shall be canceled. Any portion of such Award not so cancelled shall remain outstanding. The Stock Options to be granted to a Participant upon cancellation of all or any portion of such Participant's Award shall have a Black-Scholes value (determined by the Committee in good faith and using assumptions consistent with those used by the Company in calculating Black-Scholes values for proxy statement purposes) at least as great as the value of the Award (or portion thereof) being cancelled, with the value of an Award (or portion thereof) being cancelled to be equal to the payment a Participant who satisfied all conditions to payment would have received with respect thereto (based on the Participant's position and Base Amount in effect on the date of cancellation of such Participant's Award) if the Company had satisfied the Performance Target and achieved a Number 2 Ranking during the relevant Performance Period.

VII. STOCKHOLDER APPROVAL, TERMINATION,

AND AMENDMENT OF PROGRAM

7.1 Stockholder Approval. The Program shall be effective as of the Effective Date; provided that the Incentive Plan 2000 is approved by the Company's stockholders in the manner required under section 162(m) of the Code at the Company's 2000 annual meeting of stockholders. Notwithstanding any provision herein to the contrary, no payment under the Program shall be made to or on behalf of any Participant unless the

Incentive Plan 2000 is so approved by the Company's stockholders. If the Company's stockholders do not so approve the Incentive Plan 2000, then (a) all Awards under the Program shall be void ab initio and of no further effect and (b) the Program shall terminate.

7.2 Termination and Amendment. The Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program (in its entirety or as it applies to one or more specified Subsidiaries) with respect to Performance Periods that have not commenced as of the date of such Committee action; provided, however, that the Program may not be amended in a manner that would impair the rights of any Participant with respect to any outstanding Award without the consent of such Participant, or without the further approval of the stockholders of the Company if such amendment would result in the Program no longer satisfying the requirements of section 162(m) of the Code, and this Program may not be amended or terminated in contemplation of or in connection with a Change in Control, nor may any Participant's participation herein be terminated in contemplation of or in connection with a Change in Control, unless adequate and effective provision for the making of all payments otherwise payable (based on Participants' Base Amounts as in effect immediately prior to such Change in Control) pursuant to Section 6.4 of this Program (as in effect on the date of stockholder approval described in Section 7.1) with respect to such Change in Control shall be made in connection with any such amendment or termination. The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII. MISCELLANEOUS PROVISIONS

8.1 No Effect on Employment Relationship. For all purposes of the Program, a Participant shall be considered to be in the employment of the Company as long as he or she remains employed on a full-time basis by the Company or any Subsidiary. Nothing in the adoption of the Program, the grant of Awards, or the payment of amounts under the Program shall confer on any person the right to continued employment by the Company or any Subsidiary or affect in any way the right of the Company (or a Subsidiary, if applicable) to terminate such employment at any time. Unless otherwise provided in a written employment agreement, the employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any question as to whether and when there has been a termination of a Participant's employment for purposes of the Program, and the reason for such termination, shall be determined solely by and in the discretion of the Administrator, and its determination shall be final, binding, and conclusive on all parties.

8.2 Prohibition Against Assignment or Encumbrance. No Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any Award or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to an Award shall be payable only to the Participant (or (a) in the event of a Disability that renders such Participant incapable of conducting his or her own affairs, any payment due under the Program to such Participant shall be made to his or her duly appointed legal representative and (b) in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to his or her estate). The provisions of the Program shall be binding on all successors and permitted assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

8.3 Unfunded, Unsecured Program. The Program shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain individuals from its general assets in accordance with the Program. Each Award granted under the Program merely constitutes a mechanism for measuring such incentive compensation and does not constitute a property right or interest in the Company, any Subsidiary, or any of their assets. Neither the establishment of the Program, the granting of Awards, nor any other action taken in connection with the Program shall be deemed to create an escrow or trust fund of any kind.

8.4 No Rights of Participant. No Participant shall have any security or other interest in any assets of the Company or any Subsidiary or in Company Stock as a result of participation in the Program. Participants and all persons claiming under Participants shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Program, an Award or an Award Notice shall be construed to give a Participant or anyone claiming under a Participant any right, title, interest, or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Subsidiary or in which the Company or any Subsidiary may have an interest now or in the future; but each Participant shall have the right to enforce any claim hereunder in the same manner as a general creditor. Neither the establishment of the Program nor participation hereunder shall create any right in any Participant to make any decision, or provide input with respect to any decision, relating to the business of the Company or any Subsidiary.

8.5 Tax Withholding. The Company and the Subsidiaries shall deduct and withhold, or cause to be withheld, from a Participant's payment, including the delivery of shares, made under the Program, or from any other payment to such Participant, an amount necessary to satisfy any and all tax withholding obligations arising under applicable local, state, federal, or foreign laws associated with such payment. The Company and the Subsidiaries may take any other action as may in their opinion be necessary to satisfy all obligations for the payment and withholding of such taxes.

8.6 No Effect on Other Compensation Arrangements. Nothing contained in the Program or any Participant's Award or Award Notice shall prevent the Company or any Subsidiary from adopting or continuing in effect other or additional compensation arrangements affecting any Participant. Nothing in the Program shall be construed to affect the provisions of any other compensation plan or program maintained by the Company or any Subsidiary.

8.7 Subsidiaries. The Company may require any Subsidiary employing a Participant to assume and guarantee the Company's obligations hereunder to such Participant, either at all times or solely in the event that such Subsidiary ceases to be a Subsidiary.

8.8 Governing Law. The Program shall be construed in accordance with the laws of the State of Texas.

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument effective as of February 20, 2002.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

Supplemental Agreement No. 26

to

Purchase Agreement No. 1951

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of March 29, 2002, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and Continental Airlines, Inc., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement), as amended and supplemented, relating to Boeing Model 737-500, 737-600, 737-700, 737-800, and 737-900 aircraft (the Aircraft); and

WHEREAS, Boeing and Buyer have mutually agreed to the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

WHEREAS, Boeing and Buyer have mutually agreed to update the Agreement to reflect the current accepted Aircraft configurations and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** of the Model 737-700, 737-800 and 737-900 Aircraft; and

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Agreement as follows:

1. Table of Contents, Articles, Tables and Exhibits:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 26.

1.2 Remove and replace, in its entirety, Article 3 **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

1.3 Remove and replace, in its entirety, page T-2-2 of Table 1 entitled "Aircraft Deliveries and Descriptions, Model 737-700 Aircraft", with revised page T-2-2 of Table 1 attached hereto, to reflect the changes in **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** in accordance with the Rescheduled Aircraft Agreement.

1.4 Remove and replace, in its entirety, page T-3-2 and page T-3-3 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-800 Aircraft", with revised pages T-3-2, T-3-3 and T-3-4 of Table 1, attached hereto, to reflect the changes in **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** in accordance with the Rescheduled Aircraft Agreement.

1.5 Remove and replace, in its entirety, page T-5 of Table 1 entitled, "Aircraft Deliveries and Descriptions, Model 737-900 Aircraft", with revised pages T-5-1 and T-5-2 of Table 1, attached hereto, to reflect changes in **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** in accordance with the Rescheduled Aircraft Agreement.

1.6 Remove and replace, in its entirety, Exhibit A-1, "Aircraft Configuration relating to Boeing Model 737-724 Aircraft", with revised Exhibit A-1 attached hereto, to reflect the current Aircraft configuration and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the Model 737-724 Rescheduled Aircraft.

1.7 Remove and replace, in its entirety, Exhibit A-2, "Aircraft Configuration relating to Boeing Model 737-824 Aircraft", with revised Exhibit A-2 attached hereto, to reflect the current Aircraft configuration and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the Model 737-824 Rescheduled Aircraft.

1.8 Remove and replace, in its entirety, Exhibit A-5, "Aircraft Configuration relating to Boeing Model 737-924 Aircraft", with revised Exhibit A-5 attached hereto, to reflect the current Aircraft configuration and **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for the Model 737-924 Rescheduled Aircraft.

2. Letter Agreements:

2.1 Remove and replace, in its entirety, Letter

Agreement 1951-3R16, "Option Aircraft - Model 737-824 Aircraft", with the revised Letter Agreement 1951-3R17 attached hereto, to reflect [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 Remove and replace, in its entirety, Letter Agreement 1951-9R11, "Option Aircraft - Model 737-724 Aircraft", with the revised Letter Agreement 1951-9R12 attached hereto, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.3 Remove and replace, in its entirety, Letter Agreement 1951-12R3, "Option Aircraft - Model 737-924 Aircraft" with the revised Letter Agreement 1951-12R4 attached hereto, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.4 Letter Agreement 6-1162-CHL-048, "Rescheduled Aircraft Agreement" executed February 8, 2002 which describes the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY Continental Airlines, Inc.

By: /s/ Henry H. Hart By: /s/ Gerald Laderman

Its: Attorney-In-Fact Its: Senior Vice President -

Finance and Treasurer

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**FILED SEPARATELY WITH THE SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT]**
6-1162-MMF-311R4 [CONFIDENTIAL MATERIAL OMITTED AND SA 22
**FILED SEPARATELY WITH THE SECURITIES
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A REQUEST FOR CONFIDENTIAL TREATMENT]**
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**FILED SEPARATELY WITH THE SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT]**

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**FILED SEPARATELY WITH THE SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT]**

6-1162-DMH-1035 [CONFIDENTIAL MATERIAL OMITTED AND SA 15

**FILED SEPARATELY WITH THE SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT]**

6-1162-DMH-1054 [CONFIDENTIAL MATERIAL OMITTED AND SA 1

**FILED SEPARATELY WITH THE SECURITIES
AND EXCHANGE COMMISSION PURSUANT TO
A REQUEST FOR CONFIDENTIAL TREATMENT]**

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Supplemental Agreement No. 1 October 10,1996

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Supplemental Agreement No. 5 May 21,1998

Supplemental Agreement No. 6 July 30,1998

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Supplemental Agreement No. 11 May 14,1999

Supplemental Agreement No. 12 July 2,1999

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- Supplemental Agreement No. 25 December 31, 2001
- Supplemental Agreement No. 26 March 29, 2002

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Current Generation Aircraft.

- 3.1.1.1 Special Features are the features listed in Exhibit A-4 which Buyer has selected for incorporation in Current Generation Aircraft.
- 3.1.1.2 Base Airframe Price is the Aircraft Basic Price excluding the price of Special Features and Engines.
- 3.1.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D-1.
- 3.1.1.4 Aircraft Basic Price is comprised of the Base Airframe Price, the Engine Price and the price of the Special Features.
- 3.1.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D-1.
- 3.1.1.6 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.

3.1.2 New Generation Aircraft

- 3.1.2.1 Special Features are the features listed in Exhibits A-1, A-2, A-3, and A-5, which Buyer has selected for incorporation in New Generation Aircraft.
- 3.1.2.2 Base Airplane Price is the Aircraft Basic Price excluding the price of Special Features, but including Engines.
- 3.1.2.3 Aircraft Basic Price is comprised of the Base Airplane Price and the price of the Special Features.

3.1.2.4 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airplane and Special Features) as calculated pursuant to Exhibit D for Aircraft expressed in July 1995 dollars and Exhibit D-2 for Aircraft expressed in July 1997 dollars.

3.2 Aircraft Basic Price.

3.2.1 Current Generation Aircraft:

3.2.1.1 Model 737-524 Aircraft.

The Aircraft Basic Price of each 737-524 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airframe Price: **[CONFIDENTIAL MATERIAL**

Special Features **OMITTED AND FILED SEPARATELY**

Engine Price **WITH THE SECURITIES AND**

EXCHANGE COMMISSION

Aircraft Basic Price **PURSUANT TO A REQUEST FOR**

CONFIDENTIAL TREATMENT]

3.2.2 New Generation Aircraft.

3.2.2.1 Model 737-624 Aircraft.

The Aircraft Basic Price of each 737-624 Aircraft, expressed in July 1995 dollars, is set forth below:

Base Airplane Price: [CONFIDENTIAL MATERIAL

Special Features OMITTED AND FILED SEPARATELY

WITH THE SECURITIES AND

Aircraft Basic Price EXCHANGE COMMISSION

PURSUANT TO A REQUEST FOR

CONFIDENTIAL TREATMENT]

3.2.2.2 Model 737-724 Aircraft.

The Aircraft Basic Price of each 737-724 Aircraft, expressed in July 1995 dollars, is set forth in Table 1 pages T-2-1 and T-2-2.

3.2.2.3 Model 737-824 Aircraft.

The Aircraft Basic Price of each 737-824 Aircraft, expressed in July 1995 dollars, is set forth in Table 1 pages T-3-1, T-3-2, T-3-3 and T-3-4.

3.2.2.4 Model 737-924 Aircraft.

The Aircraft Basic Price of each 737-924 Aircraft, expressed in July 1997 dollars, is set forth in Table 1 pages T-5-1 and T-5-2.

3.3 Aircraft Price. The total amount that Buyer is to pay for the Aircraft at the time of delivery (Aircraft Price) will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1 the Aircraft Basic Price, set forth in Table 1; plus

3.3.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibits D or D-1 or D-2, as applicable; plus

3.3.3 other price adjustments made pursuant to this Agreement or other written agreements executed by Boeing and Buyer.

3.4 Advance Payment Base Price.

3.4.1 Advance Payment Base Price. For advance payment purposes, the estimated delivery prices of the Aircraft have been established, using currently available forecasts of the escalation factors used by Boeing as of the date of signing this Agreement. The Advance Payment Base Price of each Aircraft is set forth in Table 1.

3.4.2 Adjustment of Advance Payment Base Prices - Long-Lead Aircraft. For Aircraft scheduled for delivery 36 months or more after the date of this Agreement, the Advance Payment Base Prices appearing in Article 3.4.1 will be used to determine the amount of the first advance payment to be made by Buyer on the Aircraft. No later than 25 months before the scheduled month of delivery of each affected Aircraft, Boeing will increase or decrease the Advance Payment Base Price of such Aircraft as required to reflect the effects of (i) any adjustments in the Aircraft Basic Price pursuant to this Agreement and (ii) the then-current forecasted escalation factors used by Boeing. Boeing will provide the adjusted Advance Payment Base Prices for each affected Aircraft to Buyer, and the advance payment schedule will be considered amended to substitute such adjusted Advance Payment Base Prices.

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-800 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-800 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-900 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-900 Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1951PA/CALContinental Airlines, Inc.

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

Continental Airlines, Inc.

Exhibit A-1 to Purchase Agreement Number 1951

AIRCRAFT CONFIGURATION

Dated March 29, 2002

relating to

BOEING MODEL 737-724 AIRCRAFT

Exhibit A-1

The Detail Specification is Customer Detail Specification D6-38808-42 Revision A dated November 1, 1998. Such Detail Specification will be comprised of Boeing Configuration Specification D6-38808 Revision G dated April 29, 1997 as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests and Master Changes listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests and Master Changes are set forth in Boeing Document D6-39049. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes of price, except such Aircraft Basic Price will not include the price effects of Change Requests changing Buyer Furnished Equipment to Seller Purchased Equipment.

Exhibit A-1 to

PRICE PER

CHANGE NO. TITLE K AIRCRAFT

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1951PA/CALContinental Airlines, Inc.

AIRCRAFT CONFIGURATION
between
THE BOEING COMPANY
and
Continental Airlines, Inc.

Exhibit A-2 to Purchase Agreement Number 1951

AIRCRAFT CONFIGURATION
Dated March 29, 2002
relating to
BOEING MODEL 737-824 AIRCRAFT
Exhibit A-2

The Detail Specification is Boeing Detail Specification D6-38808-43 dated October 2, 2001. Such Detail Specification will be comprised of Boeing Configuration Specification D6-38808 Revision G dated April 29, 1997 as amended to incorporate the applicable specification language to reflect the effect of the changes set forth in the Change Requests listed below, including the effects of such changes on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Change Requests are set forth in Boeing Document D6-39050. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect the effect of such changes. The Aircraft Basic Price will reflect and include all effects of such changes on price, except such Aircraft Basic Price will not include the price effect of changing Buyer Furnished Equipment to Seller Purchased Equipment.

Exhibit A-2 to

Purchase Agreement No. 1951

Page 3

PRICE PER

CHANGE NO. TITLE K AIRCRAFT

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AIRCRAFT CONFIGURATION

between
THE BOEING COMPANY
and
Continental Airlines, Inc.

Exhibit A-5 to Purchase Agreement Number 1951

AIRCRAFT CONFIGURATION
Dated March 29, 2002
relating to
BOEING MODEL 737-924 AIRCRAFT
Exhibit A-5

The Detail Specification is Boeing Detail Specification D019A001CAL39P-1 dated as of June 29, 2001. Such Detail Specification will be comprised of Boeing Specification D6-39127, Revision 0, dated July 25, 1997 as amended to incorporate the Options listed below, including the effects on Manufacturer's Empty Weight (MEW) and Operating Empty Weight (OEW). Such Options are set forth in Boeing Document D019ACR1CAL39P-1. As soon as practicable, Boeing will furnish to Buyer copies of the Detail Specification, which copies will reflect such Options. The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment, Seller Purchased Equipment or Inflight Entertainment/Cabin Communications Systems (IFE/CCS) Equipment.

Exhibit A-5 to
Purchase Agreement No. 1951
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PRICE PER

CHANGE NO. TITLE & AIRCRAFT

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1951-3R17

March 29, 2002

Continental Airlines, Inc.
1600 Smith Street
Houston, Texas 77002

Subject: Letter Agreement No. 1951-3R17 to Purchase Agreement No. 1951 - Option Aircraft - Model 737-824 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-824 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-3R16 dated August 31, 2001.

All terms used and not defined herein shall have the same meaning as in the Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** additional Model 737-824 Aircraft (the Option Aircraft) to Buyer, on the same terms and conditions set forth in the Agreement, except as

otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year Number of

of Delivery Option Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Price.

The basic price of the Option Aircraft shall be **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, Buyer has paid a deposit to Boeing of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for each Option Aircraft (the Option Deposit) prior to the date of this Letter Agreement. If Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Agreement.

If Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft Option Exercise Date

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Agreement to add the applicable Option Aircraft to the Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

In the event the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this Letter Agreement, or in the Agreement, as the case may be:

- (i) purchase of the Aircraft under the Agreement for any reason not attributable to the canceling party;
- (ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or
- (iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the

option to purchase has been cancelled shall thereupon terminate.

If an option is cancelled as provided above, Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

7. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Henry H. Hart

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

CONTINENTAL AIRLINES, INC.,

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Model 737-824 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808-43 Revision D, dated October 2, 2001, as amended and revised pursuant to the Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

(1) Changes applicable to the basic Model 737-800 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a Supplemental Agreement for the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The Base Airplane Price (pursuant to Article 3 of the Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Supplemental Agreement for the Option Aircraft.

2.1.2 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Supplemental Agreement for the Option Aircraft **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

2.1.3 Escalation Adjustments. The Base Airplane and Special Features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Agreement.

2.1.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Prices for Option Aircraft for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Supplemental Agreement for the Option Aircraft.

3. Advance Payments.

If Buyer exercises its right under this letter agreement to acquire an Option Aircraft, Buyer shall pay to Boeing advance payments for such Option Aircraft pursuant to the schedule for payment of advance payments provided in the Agreement.

1951-9R12

March 29, 2002

Continental Airlines, Inc.

1600 Smith Street

Houston, Texas 77002

Subject: Letter Agreement No. 1951-9R12 to Purchase Agreement No. 1951 - Option Aircraft - Model 737-724 Aircraft

Ladies and Gentlemen:

This Letter Agreement amends Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-724 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-9R11 dated August 31, 2001.

All terms used and not defined herein shall have the same meaning as in the Agreement.

In consideration of Buyer's purchase of the Aircraft, Boeing hereby agrees to manufacture and sell up to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** additional Model 737-724 Aircraft (the Option Aircraft) to Buyer, on the same terms and conditions set forth in the Agreement, except as otherwise described in Attachment A hereto, and subject to the terms and conditions set forth below.

1. Delivery.

The Option Aircraft will be delivered to Buyer during or before the months set forth in the following schedule:

Month and Year Number of

of Delivery Option Aircraft

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Price.

The basic price of the Option Aircraft shall be the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3. Option Aircraft Deposit.

In consideration of Boeing's grant to Buyer of options to purchase the Option Aircraft as set forth herein, Buyer has paid a deposit to Boeing of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** for each Option Aircraft (the Option Deposit) prior to the date of this Letter Agreement. If Buyer exercises an option herein for an Option Aircraft, the amount of the Option Deposit for such Option Aircraft will be credited against the first advance payment due for such Option Aircraft pursuant to the advance payment schedule set forth in Article 5 of the Agreement.

If Buyer does not exercise its option to purchase a particular Option Aircraft pursuant to the terms and conditions set forth herein, Boeing shall be entitled to retain the Option Deposit for such Option Aircraft.

4. Option Exercise.

To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

-

Option Aircraft Option Exercise Date

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Contract Terms.

Within thirty (30) days after Buyer exercises an option to purchase Option Aircraft pursuant to paragraph 4 above, Boeing and Buyer will use their best reasonable efforts to enter into a supplemental agreement amending the Agreement to add the applicable Option Aircraft to the Agreement as a firm Aircraft (the Option Aircraft Supplemental Agreement).

If the parties have not entered into such an Option Aircraft Supplemental Agreement within the time period contemplated herein, either party shall have the right, exercisable by written or telegraphic notice given to the other within ten (10) days after such period, to cancel the purchase of such Option Aircraft.

6. Cancellation of Option to Purchase.

Either Boeing or Buyer may cancel the option to purchase an Option Aircraft if any of the following events are not accomplished by the respective dates contemplated in this Letter Agreement, or in the Agreement, as the case may be:

- (i) purchase of the Aircraft under the Agreement for any reason not attributable to the cancelling party;
- (ii) payment by Buyer of the Option Deposit with respect to such Option Aircraft pursuant to paragraph 3 herein; or
- (iii) exercise of the option to purchase such Option Aircraft pursuant to the terms hereof.

Any cancellation of an option to purchase by Boeing which is based on the termination of the purchase of an Aircraft under the Agreement shall be on a one-for-one basis, for each Aircraft so terminated.

Cancellation of an option to purchase provided by this letter agreement shall be caused by either party giving written notice to the other within ten (10) days after the respective date in question. Upon receipt of such notice, all rights and obligations of the parties with respect to an Option Aircraft for which the option to purchase has been cancelled shall thereupon terminate.

If an option is cancelled as provided above, Boeing shall promptly refund to Buyer, without interest, any payments received from Buyer with respect to the affected Option Aircraft. Boeing shall be entitled to retain the Option Deposit unless cancellation is attributable to Boeing's fault, in which case the Option Deposit shall also be returned to Buyer without interest.

7. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft Supplemental Agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

If the foregoing accurately reflects your understanding of the matters treated herein, please so indicate by signature below.

Very truly yours,

THE BOEING COMPANY

By /s/ Henry H. Hart

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

CONTINENTAL AIRLINES, INC.,

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Model 737-724 Aircraft

1. Option Aircraft Description and Changes.

1.1 Aircraft Description. The Option Aircraft are described by Boeing Detail Specification D6-38808-42 Revision A, dated as of November 1, 1998, as amended and revised pursuant to the Agreement.

1.2 Changes. The Option Aircraft Detail Specification shall be revised to include:

(1) Changes applicable to the basic Model 737-700 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of a Supplemental Agreement for the Option Aircraft.

(2) Changes mutually agreed upon.

(3) Changes required to obtain a Standard Certificate of Airworthiness.

1.3 Effect of Changes. Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price Description.

2.1 Price Adjustments.

2.1.1 Base Price Adjustments. The Base Airplane Price (pursuant to Article 3 of the Agreement) of the Option Aircraft will be adjusted to Boeing's and the engine manufacturer's then-current prices as of the date of execution of the Supplemental Agreement for the Option Aircraft.

2.1.2 Special Features. The price for Special Features incorporated in the Option Aircraft Detail Specification will be adjusted to Boeing's then-current prices for such features as of the date of execution of the Supplemental Agreement for the Option Aircraft [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.3 Escalation Adjustments. The Base Airframe and Special Features price will be escalated according to the applicable airframe and engine manufacturer escalation provisions contained in Exhibit D of the Agreement.

2.1.4 Price Adjustments for Changes. Boeing may adjust the Aircraft Basic Price and the Advance Payment Base Prices for Option Aircraft for any changes mutually agreed upon by Buyer and Boeing subsequent to the date that Buyer and Boeing enter into the Supplemental Agreement for the Option Aircraft.

2.1.5 BFE to SPE. An estimate of the total price for items of Buyer Furnished Equipment (BFE) changed to Seller Purchased Equipment (SPE) pursuant to the Detail Specification is included in the Option Aircraft price build-up. The purchase price of the Option Aircraft will be adjusted by the price charged to Boeing for such items plus [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of such price.

3. Advance Payments.

3.1 If Buyer exercises its right under this letter agreement to acquire an Option Aircraft, Buyer shall pay to Boeing advance payments for such Option Aircraft pursuant to the schedule for payment of advance payments provided in the Agreement.

1951-12R4

March 29, 2002

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft - Model 737-924 Aircraft

Reference: Purchase Agreement No. 1951 dated July 23, 1996 (the Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 737-924 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 1951-12R3 dated August 31 2001.

Boeing agrees to manufacture and sell to Buyer up to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES

AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] additional Model 737-924 aircraft (the Option Aircraft), on the same terms and conditions set forth in the Agreement, subject to the terms and conditions set forth below. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

1. Aircraft Description and Changes.

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment.

1.2 Changes: The Detail Specification will be revised to include:

(i) Changes applicable to the basic Model 737 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the supplemental agreement to purchase the Option Aircraft;

(ii) Changes required to obtain required regulatory certificates; and

(iii) Changes mutually agreed upon.

1.3 Effect of Changes: Changes to the Detail Specification pursuant to the provisions of the clauses above shall include the effects of such changes upon Option Aircraft weight, balance, design and performance.

2. Price.

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

2.2.1 Special Features. The price for Special Features selected for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the supplemental agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Base Airplane Price and the price of Special Features for Option Aircraft delivering before **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be escalated on the same basis as the Aircraft.

2.2.3 Base Price Adjustments. The Base Airplane Price of the Option Aircraft delivering before **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be adjusted to Boeing's then current prices as of the date of execution of the supplemental agreement for the Option Aircraft.

3. Payment.

3.1 Buyer has paid a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (the Option Deposit) prior to the date of this Letter Agreement. If Buyer exercises an option, the Option Deposit applicable to such aircraft will be credited against the first advance payment due for such aircraft. If Buyer does not exercise an option, **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

3.2 Following option exercise, advance payments in the amounts and at the times listed in the Attachment will be payable for the Option Aircraft. The remainder of the Aircraft Price for the Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

4.1 To exercise its option to purchase the Option Aircraft, Buyer shall give written notice thereof to Boeing on or before the first business day of the month in each Option Exercise Date shown below:

Option Aircraft Option Exercise Date

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.2 If Boeing must make production decisions which are dependent on Buyer exercising an option earlier than the Option Exercise Date, Boeing may accelerate the Option Exercise Date in which case Boeing shall give Buyer prior written notice thereof and such acceleration shall be subject to Buyer's agreement. If Boeing and Buyer fail to agree to a revised Option Exercise Date, either party may terminate the option **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

5. Contract Terms.

Boeing and Buyer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in a supplemental agreement to the Agreement, and other terms and conditions as may be agreed upon. In the event the parties have not entered into a supplemental agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

6. Applicability.

Except as otherwise specifically provided, limited or excluded herein, all Option Aircraft that are added to the Agreement by an Option Aircraft supplemental

agreement as firm Aircraft shall benefit from all the applicable terms, conditions and provisions of the Agreement.

Very truly yours,

THE BOEING COMPANY

By /s/ Henry H. Hart

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Attachment to
Letter Agreement 1951-12R4 Option Aircraft Delivery,
Description, Price and Advance Payments

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Supplemental Agreement No. 1

to

Purchase Agreement No. 2333

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757-300 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of March 29, 2002, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and Continental Airlines, Inc., a Delaware corporation with its principal office in Houston, Texas (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2333 dated December 29, 2000, (the Purchase Agreement) relating to Boeing Model 757-300 aircraft (Aircraft); and

WHEREAS, Boeing and Customer have mutually agreed to the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and

WHEREAS, Boeing and Customer have mutually agreed to adjust the current engine pricing including applicable adjustments to forecast escalation and escalation methodology resulting from the change in Bureau of Labor Statistics (BLS) methodology of calculating the Average Hourly Earnings (AHE) for the aircraft engine and engine parts industry; and

WHEREAS, Boeing and Customer have agreed to clarification of airframe escalation methodology; and

WHEREAS, Boeing and Customer have agreed to the incorporation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]; and

WHEREAS, Boeing and Customer have agreed to the incorporation of the Cabin Systems Equipment (CSE) Letter Agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

Table of Contents, Tables and Supplemental Exhibit:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the revised "Table of Contents" attached hereto, to reflect the changes made by this Supplemental Agreement No. 1.

1.2 Remove and replace, in its entirety, Table 1 entitled, "Purchase Agreement No. 2333 Aircraft Delivery, Description, Price and Advance Payments" with revised Table 1 attached hereto, to reflect the changes in the SPE Estimates, Escalation Factors and Advance Payment Base Prices in accordance with the Rescheduled Aircraft Agreement notwithstanding Articles 3.2 and 3.3.

1.3 Remove and replace, in its entirety, Supplemental Exhibit AE1 entitled, "Escalation Adjustment Airframe and Optional Features" with revised Supplemental Exhibit AE1 (Revised) attached hereto, to reflect clarification of Airframe and Optional Features escalation methodology notwithstanding Article 5.2.

1.4 Remove and replace, in its entirety, Supplemental Exhibit EE1 entitled, "Engine Escalation and Engine Warranty" with revised Supplemental Exhibit EE1 (Revised) attached hereto, to reflect adjustments to escalation methodology resulting from the change in BLS methodology of calculating the AHE for the aircraft engine and engine parts industry effective for Aircraft delivering after January 31, 2002 and notwithstanding Article 5.5.

Letter Agreements:

2.1 Add Letter Agreement 2333-02 "Installation of Cabin Systems Equipment" attached hereto, to describe the responsibilities of the parties, terms and conditions, estimated prices, descriptions of equipment and critical events.

2.2 Remove and replace, in its entirety, Letter Agreement 2333-04, "Option Aircraft" with revised Letter Agreement 2333-04R1 attached hereto, to reflect the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3. Remove and replace, in its entirety, Letter Agreement

6-1162-JMG-0318, "Aircraft Performance Guarantees" with Letter Agreement 6-1162-JMG-0318R1 attached hereto, which provides the performance guarantees for the Aircraft.

2.4 Letter Agreement 6-1162-CHL-048, "Rescheduled Aircraft Agreement" executed February 8, 2002 which describes the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The Purchase Agreement will be deemed to be supplemented to the extent herein provided as of the date hereof and as so supplemented will continue in full force and effect.

EXECUTED IN DUPLICATE as of the day and year first written above.

THE BOEING COMPANY Continental Airlines, Inc.

By: /s/ Charles H. Leach By: /s/ Gerald Laderman

Its: Attorney-In-Fact Its: Senior Vice President - Finance
and Treasurer

PURCHASE AGREEMENT NUMBER 2333

between

THE BOEING COMPANY

and

Continental Airlines, Inc.

Relating to Boeing Model 757-324 Aircraft

TABLE OF CONTENTS

ARTICLES Revised By:

1. Quantity, Model and Description
2. Delivery Schedule
3. Price
4. Payment
5. Miscellaneous

TABLE

1. Aircraft Delivery, Description, Price and Advance Payments SA 1

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A. Aircraft Configuration

B. Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

AE1. Escalation Adjustment/Airframe and Optional Features SA 1

BFE1. Buyer Furnished Equipment Variables

CS1. Customer Support Variables

EE1. Engine Escalation and Engine Warranty SA 1

SLP1. Service Life Policy Components

LETTER AGREEMENTS Revised By:

2333-01 Not Used

2333-02 Installation of Cabin Systems Equipment SA 1

2333-03 Demonstration Flight Waiver

2333-04R1 Option Aircraft SA 1

2333-05 Rolls-Royce Engine Price Adjustment

2333-06 Customer Directed Seller Purchased Equipment
and Seller Purchased Equipment

2333-07 Flight Crew Training Spare Parts Support

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-

CONFIDENTIAL LETTER AGREEMENTS

6-1162-JMG-0318R1 Aircraft Performance Guarantees SA 1

6-1162-JMG-0319 Promotional Support

6-1162-JMG-0320 Special Matters

6-1162-CHL-048 Rescheduled Aircraft Agreement SA 1

-

SUPPLEMENTAL AGREEMENTS Dated as of:

Supplemental Agreement No. 1 March 29, 2002

Table 1 to

Purchase Agreement No. 2333

Aircraft Delivery, Description, Price and Advance Payments

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

ESCALATION ADJUSTMENT

AIRFRAME AND OPTIONAL FEATURES

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit AE1 (Revision 1) to Purchase Agreement Number 2333

ESCALATION ADJUSTMENT

AIRFRAME AND OPTIONAL FEATURES

relating to

BOEING MODEL 757-324 AIRCRAFT

1. Formula.

Airframe and Optional Features Price adjustments (Airframe Price Adjustment) are used to allow prices to be stated in current year dollars at the signing of this Purchase Agreement and to adjust the amount to be paid by Customer at delivery for the effects of economic fluctuation. The Airframe Price Adjustment will be determined at the time of Aircraft delivery in accordance with the following formula:

$$P_a = (P+B)(L + M) - P$$

Where:

P_a = Airframe Price Adjustment.

$L =$ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] x $(\frac{ECI_b}{ECI_a})$

ECI_b) where ECI_b is the base year index

(as set forth in Table 1 of this Purchase Agreement)

$M =$ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] x $(\frac{ICI_b}{ICI_a})$

ICI_b) where ICI_b is the base year index

(as set forth in Table 1 of this Purchase Agreement)

$P =$ Airframe Price plus Optional Features Price (as set forth in Table 1 of this Purchase Agreement).

$B =$ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] x $(\frac{N}{12})$ x (P) where N is the number of calendar months which have elapsed from the price base year and month up to and including the month of delivery, both as shown in Table 1 of this Purchase Agreement.

ECI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], calculated by establishing a three-month arithmetic average value (expressed as a decimal and rounded to the nearest tenth) using the values for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the month of scheduled delivery of the applicable Aircraft. As the Employment Cost Index values are only released on a quarterly basis, the value released for the month of March will be used for the months of January and February; the value for June used for April and May; the value for September used for July and August; and the value for December used for October and November.

ICI is a value determined using the U.S. Department of Labor, Bureau of Labor Statistics [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], calculated as a 3-month arithmetic average of the released monthly values (expressed as a decimal and rounded to the nearest tenth) using the values for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the month of scheduled delivery of the applicable Aircraft.

As an example, for an Aircraft scheduled to be delivered in the month of January, the months June, July and August of the preceding year will be utilized in determining the value of ECI and ICI.

Note: i. In determining the values of L and M, all calculations and resulting values will be expressed as a decimal rounded to the nearest ten-thousandth.

ii. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is the numeric ratio attributed to labor in the Airframe Price Adjustment formula.

iii. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is the numeric ratio attributed to materials in the Airframe Price Adjustment formula.

iv. The denominators (base year indices) are the actual average values reported by the U.S. Department of Labor, Bureau of Labor Statistics (base year June 1989 = 100). The applicable price base year and corresponding denominator is provided by Boeing in Table 1 of this Purchase Agreement.

v. In determining the value of B, the entire calculation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] x (N/12) will be expressed as a decimal rounded to the nearest ten-thousandth. The final value of B will be rounded to the nearest dollar.

vi. The final value of P_a will be rounded to the nearest dollar.

vii. The Airframe Price Adjustment will not be made if it will result in a decrease in the Aircraft Basic Price.

viii. The values released by the Bureau of Labor Statistics and available to Boeing 30 days prior to the first day of the scheduled delivery month of an Aircraft will be used to determine the ECI and ICI values for the applicable months (including those noted as preliminary by the Bureau of Labor Statistics) to calculate the Airframe Price Adjustment for the Aircraft invoice at the time of delivery. The values will be considered final and no Airframe Price Adjustments will be made after Aircraft delivery for any subsequent changes in published Index values, subject always to paragraph 2.4 below.

ix. The maximum number of digits to the right of the decimal after rounding utilized where required in the Airframe Price Adjustment equation will be 4, where rounding of the fourth digit will be increased to the next highest digit when the 5th digit is equal to 5 or greater.

2. Values to be Utilized in the Event of Unavailability.

2.1 If the Bureau of Labor Statistics substantially revises the methodology used for the determination of the values to be used to determine the ECI and ICI values (in contrast to benchmark adjustments or other corrections of previously released values), or for any reason has not released values needed to determine the applicable Airframe Price Adjustment, the parties will, prior to the delivery of any such Aircraft, select a substitute from other Bureau of Labor Statistics data or similar data reported by non-governmental organizations. Such substitute will result in the same adjustment, insofar as possible, as would have been calculated utilizing the original values adjusted for fluctuation during the applicable time period. However, if within 24 months after delivery of the Aircraft, the Bureau of Labor Statistics should resume releasing values for the months needed to determine the Airframe Price Adjustment, such values will be used to determine any increase or decrease in the Airframe Price Adjustment for the Aircraft from that determined at the time of delivery of the Aircraft.

2.2 Notwithstanding Article 2.1 above, if prior to the scheduled delivery month of an Aircraft the Bureau of Labor Statistics changes the base year for determination of the ECI and ICI values as defined above, such re-based values will be incorporated in the Airframe Price Adjustment calculation.

2.3 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.4 If within [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months of Aircraft delivery, the published index values are revised due to an acknowledged error by the Bureau of Labor Statistics, the Airframe Price Adjustment will be re-calculated using the revised index values (this does not include those values noted as preliminary by the Bureau of Labor Statistics). A credit memorandum or supplemental invoice will be issued for the Airframe Price Adjustment difference. Interest charges will not apply for the period of original invoice to issuance of credit memorandum or supplemental invoice.

ENGINE ESCALATION AND

ENGINE WARRANTY

between

THE BOEING COMPANY

and

CONTINENTAL AIRLINES, INC.

Supplemental Exhibit EE1 (Revision 1) to Purchase Agreement Number 2333

ENGINE ESCALATION AND

ENGINE WARRANTY

relating to

BOEING MODEL 757-324 AIRCRAFT

1. ENGINE ESCALATION.

- a. The Aircraft Basic Price of each Aircraft set forth in Table 1 of the Purchase Agreement includes an aggregate price for Rolls Royce RB211-535 series engines and all accessories, equipment and parts provided by the engine manufacturer. The adjustment in Engine Price applicable to each Aircraft (Engine Price Adjustment) will be determined at the time of Aircraft delivery in accordance with the following formula:

$$P_e = (P_b + F) \text{ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]} L_q + \text{ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]}$$

$$\underline{M} + \text{ [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY}$$

$$M_0 \text{ WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]} \underline{E}) - P_b$$

$$E_0$$

- b. The following definitions will apply herein:

P_e = Engine Price Adjustment

P_b = Engine Price (Per Aircraft) as set forth in Table 1 of the Purchase Agreement.

F = **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** (N) (P_b). Where N = the calendar year of scheduled Engine delivery, minus the calendar year reflected in the price base year as set forth in Table 1 to the Purchase Agreement. For purposes of this calculation, Engine delivery is assumed to be the month of scheduled Aircraft delivery.

For scheduled Aircraft delivery up to and including **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**:

$$L_q = L_1 / L_{1_0}$$

L_1 = The arithmetic average (rounded to the nearest thousandth) of the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** published by the Bureau of Labor Statistics, U.S. Department of Labor prior to June 1, 2001 for the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** months prior to the month of scheduled Aircraft delivery.

L_{1_0} = The arithmetic average (rounded to the nearest thousandth) of **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** published by the Bureau of Labor Statistics, U.S. Department of Labor prior to June 1, 2001 for the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** months prior to the price base year as set forth in Table 1 to the Purchase Agreement.

For scheduled Aircraft delivery after **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**:

$$L_q = (L_1 / L_{1_0}) \times (L_2 / L_{2_0})$$

L_1 and L_{1_0} = The arithmetic averages as defined above for a **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** delivery month. These values are **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** respectively.

L_2 = The arithmetic average (rounded to the nearest thousandth) of ECI **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** published by the Bureau of Labor Statistics, U.S. Department of Labor for the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** months prior to the month of scheduled Aircraft delivery.

L_{2_0} = The arithmetic average (rounded to the nearest thousandth) of ECI **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** published by the Bureau of Labor Statistics, U.S. Department of Labor for the **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** months prior to **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**.

The quarterly value published for ECI **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** will be deemed to apply to each month of the quarter.

For all scheduled delivery months:

M = The arithmetic average (rounded to the nearest hundredth) of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] published by the Bureau of Labor Statistics, U.S. Department of Labor (Base Year 1982 = 100) for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the month of scheduled Aircraft delivery.

M_0 = The applicable arithmetic average (rounded to the nearest hundredth) for [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the price base year as set forth in Table 1 to the Purchase Agreement.

E = The arithmetic average (rounded to the nearest hundredth) of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] published by the Bureau of Labor Statistics, U.S. Department of Labor (Base Year 1982 = 100) for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the month of scheduled Aircraft delivery.

E_0 = The applicable arithmetic average (rounded to the nearest hundredth) for [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the price base year as set forth in Table 1 to the Purchase Agreement.

- c. The value resulting from dividing L1, L2, M and E by $L1_0$, $L2_0$, M_0 and E_0 , respectively, will not be rounded, but the value resulting from multiplying such ratios by the respective constants ([CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]) will be expressed as a decimal and rounded to the nearest ten-thousandth.
- d. The Engine Price Adjustment will not be made if it would result in a decrease in the Engine Price.
- e. The values of the Producer Price Indices and Employment Cost Index used in determining the Engine Price Adjustment will be those published by the Bureau of Labor Statistics, U.S. Department of Labor as of a date 30 days prior to the first day of the month of scheduled Aircraft delivery. The values of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] will be those published by the Bureau of Labor Statistics, U. S. Department of Labor prior to June 1, 2001. Such values will be considered final and no Engine Price Adjustment will be made after Aircraft delivery for any subsequent changes in published index values.
- f. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- g. If, prior to Aircraft Delivery, the U.S. Department of Labor, Bureau of Labor Statistics (i) substantially revises the methodology (in contrast to benchmark adjustments or other corrections of previously published data) or (ii) discontinues publication of any of the data referred to above or (iii) temporarily discontinues publication of any of the data referenced above, Rolls-Royce plc agrees to meet with Boeing and Customer to select jointly, to the extent such parties may lawfully do so, a substitute for the revised or discontinued data; such substitute data to lead in application to the same adjustment result, insofar as possible, as would have been achieved by continuing the use of the original data as it may have fluctuated had it not been revised or discontinued.
- h. Any rounding of a number, as required under this Supplemental Exhibit EE1 with respect to escalation of the Engine Price, will be accomplished as follows: if the first digit of the portion to be dropped from the number to be rounded is five or greater, the preceding digit will be raised to the next higher number.

2. ENGINE WARRANTY AND PRODUCT SUPPORT PLAN.

Boeing has obtained from Rolls-Royce plc the right to extend to Customer the provisions of Rolls-Royce plc's Warranty Agreement, "RB211-535E4 Power Plant Warranty Agreement", reference RR/TBC ED, subject, however, to Customer's acceptance of the conditions set forth therein. Accordingly, Boeing hereby extends to Customer, and Customer hereby accepts that the provisions of such Warranty Agreement shall apply to Power Plants installed in the Aircraft at the time of delivery, provided that Customer may, by notice given to Boeing and Rolls-Royce plc prior to the delivery of the Aircraft, elect to substitute for such Warranty Agreement any corresponding warranty included either in a General Terms Agreement currently effective between Customer and Rolls-Royce plc or in a contract for the sale by Rolls-Royce plc to Customer of Power Plants. In consideration for such extension, Customer hereby releases and discharges Boeing from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed Power Plants and releases and discharges Rolls-Royce plc from any and all claims, obligations and liabilities whatsoever arising out of the purchase or use of said installed Power Plants except as expressly assumed by Rolls-Royce plc in such Warranty Agreement or Purchase Contract referenced RR/CAL/DEG 2124 dated December 7, 1993 between Customer and Rolls-Royce plc.

Copies of this Warranty Agreement may be obtained directly from Rolls-Royce plc.

March 29, 2002

2333-02

Continental Airlines, Inc.

1600 Smith Street
Houston, TX 77002

Subject: Installation of Cabin Systems Equipment

Reference: Purchase Agreement No. 2333 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 757-324 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Customer has requested that Boeing install in the Aircraft the inflight entertainment and cabin communications systems (IFE/CCS) described in Attachment A to this Letter Agreement.

Because of the complexity of the IFE/CCS, special attention and additional resources will be required during the development, integration, certification, and manufacture of the Aircraft to achieve proper operation of the IFE/CCS at the time of delivery of the Aircraft. To assist Customer, Boeing will perform the functions of project manager (the Project Manager) as set forth in Attachment B.

1. Responsibilities.

1.1 Customer will:

1.1.1 Provide Customer's IFE/CCS system requirements to Boeing;

1.1.2 Select the IFE/CCS suppliers (Suppliers) from among those suppliers identified in the Change Request/s/ listed in Attachment A to this Letter Agreement, on or before (complete) or as otherwise formally offered by Boeing.

1.1.3 Promptly after selecting Suppliers, participate with Boeing in meetings with Suppliers to ensure that Supplier's functional system specifications meet Customer's and Boeing's respective requirements. Such functional systems specifications define functionality to which Boeing will test prior to delivery but is not a guarantee of functionality at delivery;

1.1.4 Select Supplier part numbers;

1.1.5 Negotiate and obtain agreements on product assurance, product support following Aircraft delivery (including spares support), and any other special business arrangements directly with Suppliers;

1.1.6 Provide pricing information for part numbers selected above to Boeing by a mutually selected date;

1.1.7 Negotiate and obtain agreements with any required service providers; and

1.1.8 Include in Customer's contract with any seat supplier a condition obligating such seat supplier to enter into and comply with a Boeing approved bonded stores agreement. This bonded stores agreement will set forth the procedures concerning the use, handling and storage for the Boeing owned IFE/CCS equipment during the time such equipment is under the seat supplier's control.

1.1.9 Authorize Boeing to obtain production IFE/CCS spares for test and or rejection replacement as follows: **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** coverage for in-seat LCD monitors, in-seat cables, handsets, cord reels, and remote jacks; **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]** coverage for seat boxes; and, one each of the head-end equipment. Unused parts will be returned to the Customer with the aircraft delivery and any parts returned to the supplier for repair will be returned to the Customer, at no further cost, after aircraft delivery.

1.2 Boeing will:

1.2.1 Perform the Project Manager functions stated in Attachment B;

1.2.2 Provide Aircraft interface requirements to Suppliers;

1.2.3 Assist Suppliers in the development of their IFE/CCS system specifications and approve such specifications;

1.2.4 Negotiate terms and conditions (except for price, product assurance, product support following Aircraft delivery and any other special business arrangements) and enter into contracts with Suppliers and manage such contracts for the IFE/CCS;

1.2.5 Coordinate the resolution of technical issues with Suppliers;

1.2.6 Ensure that at time of Aircraft delivery the IFE/CCS configuration meets the requirements of the Change Requests contained in Attachment A to this Letter Agreement as such Attachment A may be amended from time to time; and

1.2.7 Obtain FAA certification of the Aircraft with the IFE/CCS installed therein.

2. Software.

IFE/CCS systems may contain software of the following two types.

2.1 Systems Software. The software required to operate and certify the IFE/CCS systems on the Aircraft is the Systems Software and is part of the IFE/CCS.

2.2 Customer's Software. The software accessible to the Aircraft passengers which controls Customer's specified optional features is Customer's Software and is not part of the IFE/CCS.

2.2.1 Customer is solely responsible for specifying Customer's Software functional and performance requirements and ensuring that Customer's Software meets such requirements. Customer and Customer's Software supplier will have total responsibility for the writing, certification, modification, revision, or correction of any of Customer's Software. Boeing will not perform the functions and obligations described in paragraph 1.2 above, nor the Project Manager's functions described in Attachment B, for Customer's Software.

2.2.2 The omission of any Customer's Software or the lack of any functionality of Customer's Software will not be a valid condition for Customer's rejection of the Aircraft at the time of Aircraft delivery.

2.2.3 Boeing has no obligation to approve any documentation to support Customer's Software certification. Boeing will only review and operate Customer's Software if in Boeing's reasonable opinion such review and operation is necessary to certify the IFE/CCS system on the Aircraft.

2.2.4 Boeing will not be responsible for obtaining FAA certification for Customer's Software.

3. Changes.

3.1 After Boeing and Supplier have entered into a contract for the purchase of the IFE/CCS, changes to such contract may only be made by Boeing. Any Customer request for changes to the IFE/CCS specification after the Boeing/Supplier contract has been signed must be made in writing directly to Boeing. Boeing shall respond to such request by Customer in a timely manner. If such change is technically feasible and Boeing has the resources and time to incorporate such change, then Boeing shall negotiate with the Supplier to incorporate such change into the contract for the IFE/CCS. Any Supplier price increase resulting from such a change will be negotiated between Customer and Supplier.

3.2 Boeing and Customer recognize that the developmental nature of the IFE/CCS may require changes to the IFE/CCS or the Aircraft in order to ensure (i) compatibility of the IFE/CCS with the Aircraft and all other Aircraft systems, and (ii) FAA certification of the Aircraft with the IFE/CCS installed therein. In such event Boeing will notify Customer and recommend to Customer the most practical means for incorporating any such change. If within 15 days after such notification Customer and Boeing through negotiations cannot mutually agree on the incorporation of any such change or alternate course of action, then the remedies available to Boeing in Paragraph 6 shall apply.

3.3 The incorporation into the Aircraft of any mutually agreed change to the IFE/CCS may result in Boeing adjusting the price of the Change Request contained in Attachment A to this Letter Agreement.

3.4 Boeing's obligation to obtain FAA certification of the Aircraft with the IFE/CCS installed is limited to the IFE/CCS as described in Attachment A, as Attachment A may be amended from time to time.

4. Supplier Defaults.

Boeing shall notify Customer in a timely manner in the event of a default by a Supplier under the Supplier's contract with Boeing. Within 15 days of Customer's receipt of such notification, Boeing and Customer shall agree through negotiations on an alternative Supplier or other course of action. If Boeing and Customer are unable to agree on an alternative Supplier or course of action within such time, the remedies available to Boeing in Paragraph 6 shall apply.

5. Exhibits B and C to the AGTA.

IFE/CCS is deemed to be BFE for the purposes of Exhibit B, Customer Support Document, and Exhibit C, the Product Assurance Document, of the AGTA.

6. Boeing's Remedies.

If Customer does not comply with any of its obligations set forth herein, Boeing may:

6.1 delay delivery of the Aircraft pursuant to the provisions of Article 7, Excusable Delay, of the AGTA; or

6.2 deliver the Aircraft without part or all of the IFE/CCS installed, or with part or all of the IFE/CCS inoperative.

6.3 increase the Aircraft Price by the amount of Boeing's additional costs attributable to such noncompliance.

7. Advance Payments.

7.1 Estimated Price for the IFE/CCS. An estimated price for the IFE/CCS purchased by Boeing will be included in the Aircraft Advance Payment Base Price to establish the advance payments for each Aircraft. The estimated price for the Boeing purchased IFE/CCS installed on each Aircraft by Change Requests 2332A683D21 and 2334A857A04 is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] U.S. dollars expressed in 1999 dollars.

7.2 Aircraft Price. The Aircraft Price will include the actual IFE/CCS prices and any associated transportation costs charged Boeing by Suppliers.

8. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any IFE/CCS, or in the installation thereof or in the provision of services hereunder, and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the IFE/CCS.

9. Title and Risk of Loss.

Title and risk of loss of IFE/CCS equipment will remain with Boeing until the Aircraft title is transferred to Customer.

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

Continental Airlines, Inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment A

Cabin Systems Equipment

The following Change Requests describe the items of equipment that under the terms and conditions of this Letter Agreement are considered to be IFE/CCS. Each such Change Request is fully described in Change Request Document as described in Exhibit A to the Purchase Agreement. Final configuration will be based on Customer acceptance of any or all changes listed below.

Change Request Number Title

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Attachment B

Project Manager

-

This Attachment B describes the functions that Boeing will perform as Project Manager to support (i) the development and integration of the IFE/CCS and (ii) the FAA certification of the IFE/CCS when installed on the Aircraft.

I. Project Management

Boeing will perform the following functions for the IFE/CCS. Boeing will have authority to make day-to-day management decisions, and decisions on technical details which in Boeing's reasonable opinion do not significantly affect form, fit, function, cost or aesthetics. Boeing will be responsible for:

- A. Managing the development of all program schedules;
- B. Evaluating and approving Supplier's program management and developmental plans;
- C. Defining program metrics and status requirements;
- D. Scheduling and conducting program status reviews;

E. Scheduling and conducting design and schedule reviews with Customer and Suppliers;

F. Monitoring compliance with schedules;

G. Evaluating and approving any recovery plans or plan revisions which may be required of either Suppliers or Customer;

H. Leading the development of a joint IFE/CCS project management plan (the Program Plan) and;

I. Managing the joint development of the System Specification

2. System Integration

Boeing's performance as Project Manager will include the functions of systems integrator (Systems Integrator). As Systems Integrator Boeing will perform the following functions:

A. As required, assist Suppliers in defining their system specifications for the IFE/CCS, approve such specifications and develop an overall system functional specification;

B. Coordinate Boeing, Customer and Supplier teams to ensure sufficient Supplier and Supplier sub system testing and an overall cabin system acceptance test are included in the Program Plan; and

C. Organize and conduct technical coordination meetings with Customer and Suppliers to review responsibilities, functionality, Aircraft installation requirements and overall program schedule, direction and progress.

3. Seat Integration

A. Boeing will coordinate the interface requirements between seat suppliers and Suppliers. Interface requirements are defined in Boeing Document Nos. D6-36230, "Passenger Seat Design and Installation"; D6-36238, "Passenger Seat Structural Design and Interface Criteria"; D222W232, "Seat Wiring and Control Requirements"; and D222W013-4, "Seat Assembly Functional Test Plan".

B. The Suppliers will be required to coordinate integration testing and provide seat assembly functional test procedures for seat electronic parts to seat suppliers and Boeing, as determined by Boeing.

C. The Suppliers will assist the seat suppliers in the preparation of seat assembly functional test plans.

March 29, 2002

2333-04R1

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Option Aircraft

Reference: Purchase Agreement 2333 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 757-324 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. This Letter Agreement supercedes and replaces in its entirety Letter Agreement 2333-04, dated December 29, 2000.

Boeing agrees to manufacture and sell to Customer additional Model 757-324 aircraft as **Option Aircraft**. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

1. Aircraft Description and Changes

1.1 Aircraft Description: The Option Aircraft are described by the Detail Specification listed in the Attachment.

1.2 Changes: The Detail Specification will be revised to include:

(i) Changes applicable to the basic Model 757 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the definitive agreement to purchase the

Option Aircraft;

- i. Changes required to obtain required regulatory certificates; and
- ii. Changes mutually agreed upon.

2. Price

2.1 The pricing elements of the Option Aircraft are listed in the Attachment.

2.2 Price Adjustments.

2.2.1 Optional Features. The Optional Features Prices selected for the Option Aircraft will be adjusted to Boeing's current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.2 Escalation Adjustments. The Airframe Price and the Optional Features Prices for Option Aircraft delivering before January 2006, will be escalated on the same basis as the Aircraft, and will be adjusted to Boeing's then-current escalation provisions as of the date of execution of the definitive agreement for the Option Aircraft.

The engine manufacturer's current escalation provisions, listed in Exhibit Supplement EE1 to the Purchase Agreement have been estimated to the months of scheduled delivery using commercial forecasts to calculate the Advance Payment Base Price listed in the Attachment to this Letter Agreement. The engine escalation provisions will be revised if they are changed by the engine manufacturer prior to the signing of a definitive agreement for the Option Aircraft.

2.2.3 Base Price Adjustments. The Airframe Price and the Engine Price of the Option Aircraft delivering before January 2006, will be adjusted to Boeing's and the engine manufacturer's then current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.4 Prices for Long Lead Time Aircraft. Boeing and the engine manufacturer have not established prices and escalation provisions for Model 757-324 aircraft and engines for delivery in the year 2006 and after. When prices and the pricing bases are established for the Model 757-324 aircraft delivering in the year 2006 and after, the information listed in the Attachment will be appropriately amended.

3. Payment.

3.1 Customer will pay a deposit to Boeing in the amount shown in the Attachment for each Option Aircraft (Option Deposit), on the date of this Letter Agreement. If Customer exercises an option, the Option Deposit will be credited against the first advance payment due. If Customer does not exercise an option, Boeing will retain the Option Deposit for that Option Aircraft.

3.2 Following option exercise, advance payments in the amounts and at the times listed in the Attachment will be payable for the Option Aircraft. The remainder of the Aircraft Price for the Option Aircraft will be paid at the time of delivery.

4. Option Exercise.

Customer may exercise an option by giving written notice to Boeing on or before the date [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] months prior to the first business day of the applicable delivery month listed in the Attachment (Option Exercise Date).

5. Contract Terms.

Boeing and Customer will use their best efforts to reach a definitive agreement for the purchase of an Option Aircraft, including the terms and conditions contained in this Letter Agreement, in the Purchase Agreement, and other terms and conditions as may be agreed upon to add the Option Aircraft to the Purchase Agreement as an Aircraft. In the event the parties have not entered into a definitive agreement within 30 days following option exercise, either party may terminate the purchase of such Option Aircraft by giving written notice to the other within 5 days. [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

Continental Airlines, Inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment

Attachment to
Letter Agreement No. 2333-04
Option Aircraft Delivery, Description,
Price and Advance Payments

March 29, 2002

6-1162-JMG-0318R1

Continental Airlines, Inc.

1600 Smith Street

Houston, TX 77002

Subject: Aircraft Performance Guarantees

Reference: Purchase Agreement No. 2333 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Customer) relating to Model 757-324 aircraft (the Aircraft)

Ladies and Gentlemen:

This Letter Agreement amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. This Letter Agreement **[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

Boeing agrees to provide Customer with the performance guarantees in the Attachment hereto. These guarantees are exclusive and expire upon delivery of the Aircraft to Customer.

Boeing and Customer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Boeing and Customer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By /s/ Charles H. Leach

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: March 29, 2002

Continental Airlines, Inc.

By /s/ Gerald Laderman

Its Senior Vice President - Finance and Treasurer

Attachment to Letter Agreement

No. 6-1162-JMG-0318R1

RB211-535E4-B Engines

Page 1

[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

AMENDMENT No. 23 TO PURCHASE AGREEMENT GPJ-003/96

This Amendment No. 23 ("Amendment 23") dated as of February 28, 2002 is between EMBRAER - Empresa Brasileira de Aeronáutica S.A. ("EMBRAER") and ExpressJet Airlines, Inc., formerly known as Continental Express, Inc. ("BUYER"), collectively hereinafter referred to as the "PARTIES", and relates to Purchase Agreement No. GPJ-003/96 between EMBRAER and BUYER, as amended from time to time, together with its Attachments, (collectively referred to as the "BASE Agreement") and Letter Agreements GPJ-004/96 dated August 5, 1996 and PCJ-004A/96 dated August 31, 1996 between EMBRAER and BUYER as amended from time to time (together with the BASE Agreement, collectively referred to herein as the "Purchase Agreement") for the purchase of up to two hundred and forty five (245) new EMB-145 aircraft.

This Amendment 23 sets forth the further agreement between EMBRAER and BUYER relative to, among other things, certain changes requested by BUYER in the Aircraft configuration described in Attachment "A" of the Purchase Agreement and the incorporation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], pursuant to Article 11 of the Purchase Agreement. All terms defined in the Purchase Agreement shall have the same meaning when used herein and in case of any conflict between this Amendment 23 and the Purchase Agreement, this Amendment 23 shall control.

NOW, THEREFORE, for good and valuable consideration, which is hereby acknowledged, EMBRAER and BUYER hereby agree as follows:

1. Incorporation of the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Each of the newly manufactured EMB 145 LR AIRCRAFT from the one hundred and twentieth (120th) through the one hundred and forty first (141st), and each of the newly manufactured EMB 145 XR AIRCRAFT shall include the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Incorporation of provision for [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Each of the newly manufactured EMB-145 LR AIRCRAFT from the one hundred and twenty fifth (125th) through the one hundred and forty first (141st), and each of the newly manufactured EMB-145 XR AIRCRAFT shall include the incorporation of provisions for the installation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3. Aircraft Basic Price

As a result of these changes in the AIRCRAFT configuration and in the AIRCRAFT BASIC PRICES specified in this Amendment 23, the AIRCRAFT BASIC PRICE will be:

AIRCRAFT	BASIC PRICE (JAN/1996)
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

All other terms and conditions of the EMB-145 Purchase Agreement, which are not specifically amended by this Amendment 23, shall remain in full force and effect without any change.

[Intentionally left blank]

IN WITNESS WHEREOF, EMBRAER and BUYER, by their duly authorized officers, have entered into and executed this Amendment 23 to the Purchase Agreement to be effective as of the date first written above.

EMBRAER - Empresa Brasileira EXPRESSJET AIRLINES, INC.
de Aeronautica S.A.

By : /s/ Satoshi Yokota By : /s/ Frederick S. Cromer

Name : Satoshi Yokota Name : Frederick S. Cromer

Title : Executive Vice President Title : VP & CFO Industrial

By : /s/ Flavio Rimoli

Name : Flavio Rimoli

Title : Director of Contracts

Date : Date : February 28, 2002

Place : Place : Houston, Texas USA

Witness: /s/ Fernando Bueno Witness: /s/ Amy K. Sedano

Name : Fernando Bueno Name : Amy K. Sedano

AMENDMENT NO. 23 TO PURCHASE AGREEMENT GPJ-003/96

This Amendment No. 24 ("Amendment 24") dated as of March 28, 2002 is between EMBRAER - Empresa Brasileira de Aeronáutica S.A. ("EMBRAER") and ExpressJet Airlines, Inc., formerly known as Continental Express, Inc. ("BUYER"), collectively hereinafter referred to as the "PARTIES", and relates to Purchase Agreement No. GPJ-003/96 between EMBRAER and BUYER, as amended from time to time, together with its Attachments, (collectively referred to as the "BASE Agreement") and Letter Agreements GPJ-004/96 dated August 5, 1996 and PCJ-004A/96 dated August 31, 1996 between EMBRAER and BUYER as amended from time to time (together with the BASE Agreement, collectively referred to herein as the "Purchase Agreement") for the purchase of up to two hundred and forty five (245) new EMB-145 aircraft.

This Amendment 24 sets forth the further agreement between EMBRAER and BUYER relative to, among other things, certain changes requested by BUYER in the Aircraft configuration described in Attachment "A" of the Purchase Agreement and the incorporation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], pursuant to Article 11 of the Purchase Agreement. All terms defined in the Purchase Agreement shall have the same meaning when used herein and in case of any conflict between this Amendment 24 and the Purchase Agreement, this Amendment 24 shall control.

NOW, THEREFORE, for good and valuable consideration, which is hereby acknowledged, EMBRAER and BUYER hereby agree as follows:

1. Incorporation of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Each of the newly manufactured EMB 145 LR AIRCRAFT from the one hundred and sixteenth (116th) through the one hundred and forty first (141st), and each of the newly manufactured EMB 145 XR AIRCRAFT shall include the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Aircraft Basic Price

As a result of these changes in the AIRCRAFT configuration and in the AIRCRAFT BASIC PRICES specified in this Amendment 24, the AIRCRAFT BASIC PRICE will be:

AIRCRAFT	BASIC PRICE (JAN/1996)
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[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

All other terms and conditions of the EMB-145 Purchase Agreement, which are not specifically amended by this Amendment 24, shall remain in full force and effect without any change.

[Intentionally left blank]

IN WITNESS WHEREOF, EMBRAER and BUYER, by their duly authorized officers, have entered into and executed this Amendment 24 to the Purchase Agreement to be effective as of the date first written above.

EMBRAER - Empresa Brasileira EXPRESSJET AIRLINES, INC.

de Aeronautica S.A.

By : /s/ Frederico Fleury Curado By : /s/ Frederick S. Cromer

Name : Frederico Fleury Curado Name : Frederick S. Cromer

Title : Executive Vice President Title : VP & CFO

Airline Market

By : /s/ Flavio Rimoli

Name : Flavio Rimoli

Title : Director of Contracts

Date : April 8, 2002 Date : March 28, 2002

Place : Sao Jose Dos Campos, SP Place : Houston, Texas

Witness: /s/ Fernando Bueno Witness: /s/ Amy K. Sedano

Name: Fernando Bueno Witness: Amy K. Sedano