

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, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2099724

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

1600 Smith Street, Dept. HQSEO

Houston, Texas 77002

(Address of principal executive offices)

(Zip Code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12B-2 of the Exchange Act). Yes No

As of April 14, 2004, 66,194,388 shares of Class B common stock were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (1)
(In millions, except per share data)

	<u>Three Months Ended March 31,</u>	
	<u>2004</u>	<u>2003</u>
	(Unaudited)	
Operating Revenue:		
Passenger:		
Mainline	\$1,734	\$1,611
Regional	353	261
Cargo, mail and other	<u>182</u>	<u>170</u>
	<u>2,269</u>	<u>2,042</u>
Operating Expenses:		
Wages, salaries and related costs	688	778
Aircraft fuel and related taxes	333	362
ExpressJet capacity purchase, net	317	-
Aircraft rentals	220	223
Landing fees and other rentals	158	152
Maintenance, materials and repairs	112	133
Depreciation and amortization	104	116
Booking fees, credit card discounts and sales	101	91
Passenger servicing	69	70
Commissions	36	36
Other	211	240
Fleet impairment losses and other special charges	<u>55</u>	<u>65</u>
	<u>2,404</u>	<u>2,266</u>
Operating Loss	<u>(135)</u>	<u>(224)</u>
Nonoperating Income (Expense):		
Interest expense	(97)	(99)
Interest capitalized	4	7
Interest income	6	5
Equity in the income of affiliates	13	2
Other, net	<u>16</u>	<u>(5)</u>
	<u>(58)</u>	<u>(90)</u>
Loss before Income Taxes and Minority Interest	(193)	(314)
Income Tax Benefit	69	105
Minority Interest	<u>-</u>	<u>(12)</u>
Net Loss	<u>\$ (124)</u>	<u>\$ (221)</u>
Basic and Diluted Loss per Share	<u>\$ (1.88)</u>	<u>\$ (3.38)</u>
Shares Used for Basic and Diluted Computation	<u>65.9</u>	<u>65.3</u>

1. 2003 amounts include the consolidation of ExpressJet Holdings, Inc. while 2004 amounts do not. See Note 6 for further discussion and Item 2. "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Results of Operations", for the impact of the change.

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

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

ASSETS	March 31, <u>2004</u> (Unaudited)	December 31, <u>2003</u>	March 31, <u>2003</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 986	\$ 999	\$ 816
Restricted cash and cash equivalents	175	170	63
Short-term investments	<u>423</u>	<u>431</u>	<u>302</u>
Total cash, cash equivalents and short-term investments	1,584	1,600	1,181
Accounts receivable, net	545	403	447
Spare parts and supplies, net	189	191	239
Deferred income taxes	173	157	182
Note receivable from ExpressJet Holdings, Inc	94	67	-
Prepayments and other	<u>218</u>	<u>168</u>	<u>213</u>
Total current assets	<u>2,803</u>	<u>2,586</u>	<u>2,262</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	6,756	6,574	6,689
Other	<u>1,211</u>	<u>1,195</u>	<u>1,278</u>
	7,967	7,769	7,967
Less: Accumulated depreciation	<u>1,843</u>	<u>1,784</u>	<u>1,686</u>
	<u>6,124</u>	<u>5,985</u>	<u>6,281</u>
Purchase deposits for flight equipment	<u>165</u>	<u>225</u>	<u>266</u>
Capital leases:			
Flight equipment	107	107	117
Other	<u>297</u>	<u>297</u>	<u>284</u>
	404	404	401
Less: Accumulated amortization	<u>131</u>	<u>126</u>	<u>124</u>
	<u>273</u>	<u>278</u>	<u>277</u>
Total property and equipment	<u>6,562</u>	<u>6,488</u>	<u>6,824</u>
Routes	615	615	615
Airport operating rights, net	253	259	281
Intangible pension asset	124	124	144
Investment in affiliates	191	173	85
Note receivable from ExpressJet Holdings, Inc.	99	126	-
Other assets, net	<u>244</u>	<u>278</u>	<u>281</u>
 Total Assets	 <u>\$10,891</u>	 <u>\$10,649</u>	 <u>\$10,492</u>

(continued on next page)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, <u>2004</u> (Unaudited)	December 31, <u>2003</u>	March 31, <u>2003</u> (Unaudited)
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Current Liabilities:

Current maturities of long-term debt and capital leases	\$ 464	\$ 422	\$ 527
Accounts payable	809	840	965
Air traffic liability	1,199	957	1,001
Accrued payroll	292	281	312
Accrued other liabilities	<u>402</u>	<u>366</u>	<u>352</u>
Total current liabilities	<u>3,166</u>	<u>2,866</u>	<u>3,157</u>
Long-Term Debt and Capital Leases	<u>5,602</u>	<u>5,558</u>	<u>5,326</u>
Deferred Income Taxes	<u>395</u>	<u>446</u>	<u>324</u>
Accrued Pension Liability	<u>749</u>	<u>678</u>	<u>796</u>
Other	<u>304</u>	<u>309</u>	<u>319</u>
Commitments and Contingencies			
Minority Interest	<u>-</u>	<u>-</u>	<u>19</u>
Redeemable Preferred Stock of Subsidiary	<u>-</u>	<u>-</u>	<u>5</u>
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; 91,665,957, 91,507,192 and 91,202,972 issued	1	1	1
Additional paid-in capital	1,405	1,401	1,393
Retained earnings	824	948	689
Accumulated other comprehensive loss	(414)	(417)	(397)
Treasury stock - 25,471,881, 25,471,881 and 25,464,569 shares, at cost	<u>(1,141)</u>	<u>(1,141)</u>	<u>(1,140)</u>
Total stockholders' equity	<u>675</u>	<u>792</u>	<u>546</u>
Total Liabilities and Stockholders' Equity	<u>\$ 10,891</u>	<u>\$ 10,649</u>	<u>\$ 10,492</u>

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

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

	Three Months Ended March 31,	
	<u>2004</u>	<u>2003</u>
	(Unaudited)	
Net cash provided by (used in) operations	\$ <u>82</u>	\$ <u>(17)</u>
Cash Flows from Investing Activities:		
Capital expenditures	(74)	(38)
Purchase deposits paid in connection with future aircraft deliveries	(6)	(8)
Purchase deposits refunded in connection with aircraft delivered	66	15
Sale (purchase) of short-term investments, net	8	(5)
Other	<u>4</u>	<u>5</u>
Net cash used in investing activities	<u>(2)</u>	<u>(31)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(91)	(118)

Increase in restricted cash	(5)	(1)
Other	<u>3</u>	<u>-</u>
Net cash used in financing activities	<u>(93)</u>	<u>(119)</u>
Net Decrease in Cash and Cash Equivalents	(13)	(167)
Cash and Cash Equivalents - Beginning of Period	<u>999</u>	<u>983</u>
Cash and Cash Equivalents - End of Period	\$ <u>986</u>	\$ <u>816</u>
Investing and Financing Activities Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	\$ 171	\$ -

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, other than nonrecurring adjustments that have been separately disclosed, 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, 2003 (the "2003 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 consolidated subsidiaries. ExpressJet Airlines, Inc. ("ExpressJet"), a wholly-owned subsidiary of ExpressJet Holdings, Inc. ("Holdings"), and from which we purchase seat capacity, is accounted for as an equity investment in our March 31, 2004 and December 31, 2003 balance sheets and statement of operations for the three months ended March 31, 2004 and was consolidated in our financial statements prior to November 12, 2003 (see Note 6).

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

NOTE 1 - LOSS PER SHARE

Weighted average options to purchase approximately 6.3 million and 6.9 million shares of our Class B common stock were not included in the computation of diluted loss per share for the three months ended March 31, 2004 and 2003, respectively, because the options' exercise prices were greater than the average market price of the common shares or the effect of including the options would have been antidilutive. Because we recorded net losses in each of these periods, our Convertible Junior Subordinated Debentures Held by Subsidiary Trust and 4.5% Convertible Notes were also antidilutive. As a result, there was no difference between basic and diluted loss per share for each of the three months ended March 31, 2004 and 2003, respectively.

NOTE 2 - STOCK PLANS AND AWARDS

We account for our stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". No stock-based employee compensation cost for our stock option plans is reflected in our consolidated statement of operations, as all options granted under our plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the pro forma effect on net loss and loss per share if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-based Compensation", for the three months ended March 31, 2004 and 2003 (in millions except per share amounts):

	<u>2004</u>	<u>2003</u>
Net loss, as reported	\$(124)	\$ (221)
Deduct total stock-based employee compensation expense determined under SFAS 123, net of tax	<u>(1)</u>	<u>(2)</u>
Net loss, pro forma	\$ <u>(125)</u>	\$ <u>(223)</u>

Basic and diluted loss per share:

As reported	\$(1.88)	\$(3.38)
Pro forma	\$(1.90)	\$(3.42)

NOTE 3 - COMPREHENSIVE LOSS

We include changes in minimum pension liabilities and changes in the fair value of derivative financial instruments which qualify for hedge accounting in other comprehensive income (loss). For the first quarter of 2004 and 2003, total comprehensive loss amounted to \$121 million and \$223 million, respectively. The difference between the net loss and total comprehensive loss for each period was attributable to changes in the fair value of derivative financial instruments.

NOTE 4 - FLEET INFORMATION

As shown in the following table, our operating aircraft fleet consisted of 357 mainline jets and 229 regional jets at March 31, 2004, excluding aircraft out of service. The regional jets are leased by ExpressJet from us and are operated by ExpressJet. Our and ExpressJet's purchase commitments (firm orders) for aircraft, as well as options to purchase additional aircraft as of March 31, 2004 are also shown below.

Aircraft Type	Total Aircraft (1)	Owned	Leased	Firm Orders	Options
777-200ER	18	6	12	-	1
767-400ER	16	14	2	-	-
767-200ER	10	9	1	-	-
757-300	8	8	-	1	-
757-200	41	13	28	-	-
737-900	12	8	4	3	24
737-800	83	26	57	37	35
737-700	36	12	24	15	24
737-500	63	15	48	-	-
737-300	50	14	36	-	-
MD-80	<u>20</u>	<u>6</u>	<u>14</u>	-	-
Mainline jets	<u>357</u>	<u>131</u>	<u>226</u>	<u>56</u>	<u>84</u>
ERJ-145XR	59	-	59	45	100
ERJ-145	140	18	122	-	-
ERJ-135	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>-</u>
Regional jets	<u>229</u>	<u>18</u>	<u>211</u>	<u>45</u>	<u>100</u>
Total	<u>586</u>	<u>149</u>	<u>437</u>		

1. Excludes one 737-800 aircraft delivered in March 2004 but not placed into service until after quarter end.

As of March 31, 2004, we had the following mainline aircraft out of service:

Aircraft Type	Total Aircraft	Owned	Leased
DC 10-30	4	1	3
MD-80	<u>16</u>	<u>8</u>	<u>8</u>
Total	<u>20</u>	<u>9</u>	<u>11</u>

The nine owned out-of-service mainline aircraft are being carried at an aggregate fair market value of \$18 million, and the remaining rentals on the 11 leased aircraft have been accrued. As of March 31, 2004, we subleased three of the leased out-of-service mainline aircraft to third parties and we are currently exploring lease or sale opportunities for the remaining out-of-service

owned aircraft and sublease opportunities for the out-of-service leased aircraft that do not have near-term lease expirations. The timing of the disposition of these aircraft will depend upon the stabilization of the economic environment in the airline industry as well as our ability to find purchasers, lessees or sublessees for the aircraft. We cannot predict when or if such stabilization will occur or if purchasers, lessees or sublessees can be found, and it is possible that our assets (including aircraft currently in service) could suffer additional impairment.

Additionally, we have 17 Embraer 120 turboprop aircraft and 22 ATR 42 turboprop aircraft out of service. We lease 31 and own eight of these aircraft. The eight owned aircraft are being carried at an aggregate fair value of \$11 million, and the remaining rentals on those leased aircraft accounted for as operating leases have been accrued. We currently sublease six of the leased out-of-service turboprop aircraft to third parties and are exploring lease or sale opportunities for the remaining out-of-service owned aircraft and sublease opportunities for the out-of-service leased aircraft that do not have near-term lease expirations, subject to the same uncertainties as the out-of-service mainline aircraft discussed above.

During the first quarter of 2004, we removed from service one leased 737-300 aircraft in conjunction with its lease expiration and three leased MD-80 aircraft with leases expiring between 2005 and 2007. We recorded a charge of \$19 million (\$12 million after income taxes) associated with future obligations for rent and return conditions, net of estimated sublease income, on the three MD-80 aircraft. Continuing with our previously announced plans to remove all remaining MD-80 aircraft from service by January 2005, we will record similar charges as the 14 remaining leased MD-80 aircraft exit revenue service and are permanently grounded.

Also during the first quarter of 2004, we took delivery of four 757-300 aircraft and three 737-800 aircraft. As of March 31, 2004, we had firm purchase commitments for 56 aircraft from Boeing, with an estimated cost of approximately \$2.1 billion, and options to purchase an additional 84 Boeing aircraft. We expect to take delivery of one 757-300 aircraft and eight 737-800 aircraft over the remaining nine months of 2004, seven Boeing aircraft in 2005 and none in 2006 and 2007. Delivery of the remaining 40 firm order aircraft is expected to occur in 2008 and 2009.

We currently have agreements for the financing of all nine Boeing aircraft scheduled for delivery in the final three quarters of 2004, subject to customary conditions. We do not have backstop financing or any other financing currently in place for the remainder of the Boeing aircraft. Further financing will be needed to satisfy our capital commitments for our firm aircraft. We can provide no assurance that sufficient financing will be available for the aircraft on order or other related capital expenditures.

ExpressJet took delivery of five ERJ-145XR aircraft during the first quarter of 2004. As of March 31, 2004, ExpressJet had firm commitments for 45 regional jets from Empresa Brasileira de Aeronautica S.A. ("Embraer"), with an estimated cost of approximately \$1.0 billion. ExpressJet currently anticipates taking delivery of an additional 16 regional jets over the remaining nine months of 2004. ExpressJet does not have an obligation to take any of these firm Embraer aircraft that are not financed by a third party and leased to either ExpressJet or us. Under the capacity purchase agreement between us and ExpressJet, we have agreed to lease as lessee and sublease to ExpressJet the regional jets that are subject to ExpressJet's firm purchase commitments. In addition, under the capacity purchase agreement with ExpressJet, we generally are obligated to purchase all of the capacity provided by these new aircraft as they deliver to ExpressJet. We cannot predict whether passenger traffic levels will enable us to utilize fully regional jets scheduled for future delivery to ExpressJet.

Substantially all of the aircraft and engines we own are subject to mortgages. A significant portion of our spare parts inventory is also encumbered.

NOTE 5 - FLEET IMPAIRMENT LOSSES AND OTHER SPECIAL CHARGES

In the first quarter of 2004, we recorded special charges of \$55 million (\$35 million after taxes). Included in this charge were \$19 million (\$12 million after taxes) associated with future obligations for rent and return conditions related to three MD-80 aircraft that were permanently grounded during the quarter and a non-cash charge of \$34 million (\$22 million after taxes) related to the termination of a 1993 service agreement with United Micronesian Development Association.

In the first quarter of 2003, we recorded fleet impairment losses and other special charges of \$65 million (\$41 million after taxes). This charge consisted of a \$44 million additional impairment of our fleet of owned MD-80s, which was initially determined to be impaired and written down to fair value in 2002. The remainder of the charge consisted primarily of the write-down to market value of spare parts inventory for permanently grounded fleets. These write-downs were necessary because the fair market values of the MD-80 fleet and spare parts inventory had declined as a result of the difficult financial environment and further reductions in capacity by U.S. airlines.

Activity related to the accruals for future lease payments, return condition and storage costs and closure/under-utilization of facilities for the three months ended March 31, 2004 are as follows (in millions):

	<u>Beginning</u> <u>Balance</u>	<u>Accrual</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>
Allowance for future lease payments, return condition and storage costs	\$83	\$21	\$(9)	\$95
Closure/under-utilization of facilities	17	-	(1)	16

NOTE 6 - INVESTMENT IN EXPRESSJET AND EXPRESSJET CAPACITY PURCHASE AGREEMENT

Investment in ExpressJet. As the result of a series of transactions described in Note 4 to the financial statements included in our 2003 10-K, we deconsolidated Holdings as of November 12, 2003 and account for our interest in Holdings using the equity method of accounting set forth in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock", from that point onward. Under our capacity purchase agreement with Holdings and ExpressJet, we purchase all of ExpressJet's capacity and are responsible for selling all of the seat inventory. As a result, after deconsolidation, we continue to record the related passenger revenue and related expenses, with payments under the capacity purchase agreement reflected as a separate operating expense. Using equity accounting, we record our proportionate share of Holdings' net income in "equity in the income of affiliates" in our consolidated statement of operations.

For the period ended March 31, 2003, payments under the capacity purchase agreement were eliminated in consolidation and the portion of Holdings' net income attributable to the equity of Holdings that we did not own was reported as minority interest in our consolidated statement of operations.

As of March 31, 2004, we owned 16.7 million shares of Holdings common stock with a market value of \$208 million, which represented a 30.9% interest in Holdings. We do not currently intend to remain a stockholder of Holdings over the long term. Subject to market conditions, we intend to sell or otherwise dispose of some or all of our shares of Holdings common stock in the future.

Capacity Purchase Agreement. Our capacity purchase agreement with Holdings and ExpressJet provides that we purchase in advance all of ExpressJet's available seat miles for a negotiated price, and we are at risk for reselling the available seat miles at market prices. Our payments to ExpressJet under the capacity purchase agreement and ExpressJet's fuel expense in excess of the cap provided in the capacity purchase agreement and a related fuel purchase agreement (66.0 cents per gallon), less our rental income on aircraft we lease to ExpressJet, totaled \$317 million and \$266 million in the three months ended March 31, 2004 and 2003, respectively. The 2004 amount is reported as "ExpressJet capacity purchase, net" and the 2003 amount was eliminated in our consolidated financial statements.

NOTE 7 - EMPLOYEE BENEFIT PLANS

Pension Plan. Net periodic defined benefit pension expense for the three months ended March 31 included the following components (in millions):

	<u>2004</u>	<u>2003</u>
Service cost	\$ 38	\$ 40
Interest cost	38	34
Expected return on plan assets	(29)	(18)
Amortization of prior service cost	5	5
Amortization of unrecognized net actuarial loss	<u>18</u>	<u>21</u>
Net periodic benefit expense	<u>\$ 70</u>	<u>\$ 82</u>

We currently expect to contribute approximately \$300 million to our pension plan in 2004 to maintain the plan's funding at 90% of its current liability. We are currently evaluating the impact of the Pension Funding Equity Act enacted in April 2004 on our projected funding. We made no contributions to the plan in the three months ended March 31, 2004.

During the three months ended March 31, 2004, the independent trustee of our defined benefit pension plan sold 1.9 million shares of Holdings common stock. At March 31, 2004, our defined benefit pension plan held 2.5 million shares of Holdings common stock with a market value of \$32 million.

Employee Stock Purchase Plan. On March 12, 2004, our stockholders voted to adopt the 2004 Employee Stock Purchase Plan. All of our employees (including Continental Micronesia, Inc. employees) are eligible to participate in this program beginning in the second quarter of 2004. Participants may purchase shares of our Class B common stock at 85% (or higher in certain circumstances) of the fair market value of the stock on either the first day or the last day of the option period (whichever is lower), limited to a minimum purchase price of \$10 per share. In the aggregate, 3,000,000 shares may be purchased. These shares may be newly issued or reacquired shares.

NOTE 8 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize the passengers flying on both segments,

(2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment. Because certain assets can be readily moved between the two segments and are often shared, we do not report information about total assets or capital expenditures between the segments.

Financial information for the three months ended March 31 by business segment is set forth below (in millions):

	<u>2004</u>	<u>2003</u>
Operating Revenue:		
Mainline	\$1,915	\$1,776
Regional	<u>354</u>	<u>266</u>
Total Consolidated	<u>\$2,269</u>	<u>\$2,042</u>
Operating Loss:		
Mainline	\$ (64)	\$ (179)
Regional	<u>—(71)</u>	<u>—(45)</u>
Total Consolidated	<u>\$_(135)</u>	<u>\$_(224)</u>
Net Loss:		
Mainline	\$ (82)	\$ (173)
Regional	<u>—(42)</u>	<u>—(48)</u>
Total Consolidated	<u>\$_(124)</u>	<u>\$_(221)</u>

The amounts presented above for the regional segment are not the same as the amounts reported in stand-alone financial statements of Holdings. The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by Holdings, and expenses include all activity related to the regional operations, regardless of whether the costs were paid by us or by Holdings. Net loss for the regional segment for the three months ended March 31, 2003 reflects a \$12 million after tax reduction in earnings attributable to the minority interest that is reflected in our consolidated statement of operations.

Holdings' stand-alone financial statements and the calculation of our equity in Holdings' earnings (in 2004) and minority interest (in 2003) in our consolidated financial statements are based on Holdings' results of operations under the capacity purchase agreement. Under this agreement, we pay Holdings for each scheduled block hour based on an agreed formula. On this basis, selected Holdings' results of operations were as follows for the three months ended March 31, 2004 and 2003 (in millions):

	<u>2004</u>	<u>2003</u>
Revenue	\$364	\$307
Operating Income	49	43
Net Income	29	26

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Financings and Guarantees. We are the guarantor of approximately \$1.7 billion aggregate principal amount of tax-exempt special facilities revenue bonds and interest thereon (inclusive of \$271 million of bonds issued by the City of Houston, but exclusive of the US Airways contingent liability, both described below). These bonds, issued by various airport municipalities, are payable solely from our rentals paid under long-term agreements with the respective governing bodies. The leasing arrangements associated with approximately \$1.5 billion of these obligations are accounted for as operating leases, and the leasing arrangements associated with approximately \$200 million of these obligations are accounted for as capital leases in our financial statements.

In August 2001, the City of Houston completed the offering of \$324 million aggregate principal amount of tax-exempt special facilities revenue bonds to finance the construction of Terminal E and a new international ticketing hall facility at Bush Intercontinental Airport. In connection therewith, we entered into a long-term lease with the City of Houston requiring that upon completion of construction, with limited exceptions, we will make rental payments sufficient to service the related tax-exempt bonds through their maturity in 2029. We have also entered into a binding corporate guaranty with the bond trustee for the repayment of principal and interest on the bonds that becomes partially effective (based on a pro rata share of bond proceeds) upon completion of construction of the terminal or the international ticketing facility. The corporate guaranty could also become effective during construction in other limited circumstances. The guaranty became effective for the repayment of principal and interest with respect to \$271 million of the bonds upon completion of the terminal during the first quarter of 2004. We expect completion of the international ticketing facility during the first quarter of 2005, at which time our corporate guaranty would become effective for the remaining portion of the bonds issued by the City of Houston in the amount of \$53 million.

We remain contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of principal and interest on \$182 million par value special facilities revenue bonds issued by the Port Authority with an outstanding balance of \$174 million at March 31, 2004 and having a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be required to cure the default, and we will have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also have letters of credit and performance bonds at March 31, 2004 in the amount of \$49 million with expiration dates through June 2008.

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

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

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

In our financing transactions that include loans from banks in which the interest rate is based on LIBOR, we typically agree to reimburse the lenders for certain increased costs that they incur in carrying these loans as a result of any change in law and for any reduced returns with respect to these loans due to any change in capital requirements. We had \$1.7 billion of floating rate debt at March 31, 2004. In several financing transactions, with an aggregate carrying value of \$968 million, involving loans from non-U.S. banks, export-import banks and certain other lenders secured by aircraft, we bear the risk of any change in tax laws that would subject loan payments thereunder to non-U.S. lenders to withholding taxes. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to U.S. taxes. Our lease obligations for these two aircraft totaled \$64 million at March 31, 2004.

We cannot estimate the potential amount of future payments under the foregoing indemnities and agreements.

Employees. Approximately 38% of our employees are covered by collective bargaining agreements. Of these, substantially all have contracts under negotiation or that become amendable in 2004. The collective bargaining agreement between us and our pilots (who are represented by the Air Line Pilots Association) became amendable in October 2002. After being deferred due to the economic uncertainty following the September 11, 2001 terrorist attacks, negotiations recommenced in September 2002 and are continuing. Our mechanics, represented by the International Brotherhood of Teamsters ("Teamsters"), ratified a new four-year collective bargaining agreement in December 2002 that made an adjustment to current pay and recognized current industry conditions. The agreement became amendable with respect to wages, pension and health insurance provisions on December 31, 2003. Negotiations commenced with the Teamsters regarding these subjects in December 2003 and are continuing. Work rules and other contractual items are established through 2006. The collective bargaining agreement between us and our dispatchers, who are represented by the Transport Workers Union ("TWU"), became amendable in October 2003. Negotiations commenced with the TWU in September 2003 and are continuing. The collective bargaining agreement between us and our flight attendants (who are represented by the International Association of Machinists and Aerospace Workers) becomes amendable in October 2004. We continue to believe that mutually acceptable agreements can be reached with all of these employee groups, although the ultimate outcome of the negotiations is unknown at this time. Any labor disruptions that result in a prolonged significant reduction in flights would likely have a material adverse impact on our results of operations and financial condition.

ExpressJet is also currently engaged in labor negotiations with its pilots and mechanics. ExpressJet and its unions have requested the assistance of federal mediators in the negotiations. A labor disruption by either group resulting in a prolonged significant reduction in their flights would likely have a material adverse impact on our results of operations and financial condition.

Environmental Matters. We could potentially be responsible for environmental remediation costs primarily related to jet fuel and solvent contamination surrounding our aircraft maintenance hangar in Los Angeles. In 2001, the California Regional Water Quality Control Board mandated a field study of the site and it was completed in September 2001. We have established a reserve for estimated costs of environmental remediation at Los Angeles and elsewhere in our system, based primarily on third party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We have not recognized any receivables related to insurance recoveries at March 31, 2004.

We expect our total losses from all environmental matters to be \$52 million, for which we were fully accrued at March 31, 2004. Although we believe, based on currently available information, that our reserves for potential environmental remediation costs are adequate, reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially impact our financial condition, liquidity or our results of operations.

IRS Examinations. The Internal Revenue Service ("IRS") is in the process of examining our income tax returns for years through 1999 and has indicated that it may disallow certain deductions we claimed. In addition, the IRS has begun an examination of our income tax returns for the years 2000 and 2001. We believe the ultimate resolution of these audits will not have a material adverse effect on our financial condition, liquidity or results of operations.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to travel agents, and in 2002 we eliminated such base commissions. This was similar to actions also taken by other air carriers. We are now a defendant, along with several other air carriers, in a number of lawsuits brought by travel agencies relating to these base commission reductions and eliminations.

Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C. Eastern District of North Carolina). This class action was filed in federal court on June 21, 2000 by a travel agent, on behalf of herself and other similarly situated U.S. travel agents, challenging the reduction and subsequent elimination of travel agent base commissions. The amended complaint alleged an unlawful agreement among the airline defendants to reduce, cap or eliminate commissions in violation of federal antitrust laws during the years 1997 to 2002. The plaintiffs sought compensatory and treble damages, injunctive relief and their attorneys' fees. The class was certified on September 18, 2002. On October 30, 2003, a summary judgment and order was granted in favor of all of the defendants. Plaintiffs filed their appeal to this judgment and order on November 5, 2003. Plaintiffs' appeal of this judgment is pending.

Several travel agents who purportedly opted out of the Hall class action filed similar suits against Continental and other major carriers alleging violations of antitrust laws in eliminating the base commission: Tam Travel, Inc. v. Delta Airlines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003; Paula Fausky, et al. v. American Airlines, et al. (U.S.D.C., Northern District of Ohio), filed on May 8, 2003; and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 12, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Defendants have filed a motion to stay these proceedings pending the outcome of the Hall appeal discussed above.

On December 6, 2002, the named plaintiffs in Always Travel, et al. v. Air Canada, et al., pending in the Federal Court of Canada, Trial Division, filed an amended statement of claim alleging that between 1995 and the present, Continental, the other defendant airlines, and the International Air Transport Association conspired to reduce commissions paid to Canada-based travel agents in violation of the Competition Act of Canada. Plaintiffs' motion for class certification is pending.

In addition to the lawsuits brought by travel agencies discussed above, Continental is a defendant in an alleged securities fraud class action filed in federal court in Phoenix, Arizona relating to the sale of certain America West stock in 1998 brought against America West Airlines, America West Holdings Corporation and various other defendants, entitled Employer-Teamsters Joint Council No. 84 Pension Trust Fund v. America West Holdings Corp., et al. This action was first filed in March of 1999, but was dismissed. Plaintiffs then filed a Second Amended Consolidated Complaint in January 2001, which was dismissed with prejudice in June of 2001. Plaintiffs appealed that dismissal and in 2003 the Ninth Circuit Court of Appeals reversed and remanded the lower court's dismissal. In January 2004 the class was certified and the case is now set for trial in November 2004.

In each of the foregoing cases, we believe the plaintiffs' claims are without merit and are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse impact on our financial condition, liquidity and results of operations.

We and/or certain of our subsidiaries are defendants in various other lawsuits, including suits relating to certain environmental claims, and proceedings arising in the normal course of business. While the outcome of these lawsuits and

proceedings cannot be predicted with certainty and could have a material adverse effect on our financial position, liquidity or results of operations, it is our opinion, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on our financial position, liquidity or results of operations.

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 2003 10-K, which identify important factors such as terrorist attacks and international hostilities, the resulting regulatory developments and costs, our recent losses, our high leverage and significant financing needs, the significant cost of aircraft fuel, labor costs, competition and industry conditions, security requirements, regulatory matters, the seasonal nature of the airline business, certain tax matters and the Japanese economy and currency risk, that could cause actual results to differ materially from those in the forward-looking statements. In addition to the foregoing risks, there can be no assurance that we will be able to achieve the pre-tax contributions from the revenue-generating and cost-reducing initiatives discussed below, which will depend, among other matters, on customer acceptance and competitor actions. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

General information about us can be found at www.continental.com/company/investor. Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC.

OVERVIEW

The current U.S. domestic airline environment for network carriers such as us continues to be one of the worst in our history and could deteriorate further. Among the many factors that threaten us and the network airline industry generally are the following: the continued rapid growth of low-cost carriers, high fuel costs, weakness in demand for air travel, unpredictable labor negotiations, increased security costs and significant pension liabilities. These factors are discussed in the "Overview" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2003 10-K. With the exception of fuel prices rising even higher and more intense price competition from low-cost carriers, there have been no significant changes in the airline environment during the three months ended March 31, 2004.

In recent years, we announced a series of revenue-generating and cost-cutting measures totaling \$900 million. These measures were originally designed to permit us to operate profitably in a prolonged low-fare environment. Although we expect to meet or exceed our cost-savings targets, if current fare trends and historically high fuel prices continue, achieving our original goal of reaching breakeven net income in 2004 is unlikely. As a result, based on current information and trends (including currently anticipated unit revenue and costs), we expect to incur a significant loss for the full year 2004.

Fuel costs constitute a significant portion of our operating expense. Fuel costs and related taxes represented approximately 13.9% of our operating expenses for the three months ended March 31, 2004. The per barrel price of crude oil jumped 10.0% in the quarter, from \$32.52 per barrel on December 31, 2003, to \$35.76 per barrel on March 31, 2004, hitting a high of \$38.18 barrel on March 17, 2004. When considering our expected fuel volume increases in 2004, for every one dollar increase in the price of a barrel of crude oil, our fuel expense increases by approximately \$38 million on an annual basis.

Fuel prices and supplies are influenced significantly by international political and economic circumstances, such as the political crises in Venezuela and Nigeria in late 2002 and early 2003 and post-war unrest in Iraq, as well as OPEC production decisions, a disruption of oil imports, other conflicts in the Middle East, environmental concerns, weather and other unpredictable events. These or other factors could result in higher fuel prices and/or a reduction of our scheduled airline service.

We are also at risk for ExpressJet's fuel costs in excess of a negotiated cap. Under our capacity purchase agreement and a related fuel purchase agreement with ExpressJet, ExpressJet's fuel costs were capped at 66.0 cents per gallon in 2003 and will remain capped at this level in 2004. Fuel costs incurred by ExpressJet in excess of this cap totaled \$20 million during the three months ended March 31, 2004.

The airline industry is increasingly characterized by substantial price competition. As many low-cost carriers have introduced lower and simplified fare structures (such as eliminating Saturday-night stay requirements, shortening advance purchase requirements and reducing the number of fare classes), in many instances on certain routes we have had to match those fare levels to remain competitive. Further fare reductions or simplification of fare structures may occur in the future as these low-cost carriers continue to grow or if one or more network carriers simplify their fare structures. If fare reductions are not offset by increases in passenger traffic, cost reductions, or both, our operating results will be negatively impacted.

RESULTS OF OPERATIONS

We recorded a consolidated net loss of \$124 million for the first quarter of 2004 as compared to a consolidated net loss of \$221 million for the three months ended March 31, 2003. The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three months ended March 31, 2004 as compared to the corresponding period in 2003. Passenger revenues are discussed on a consolidated and segment basis. However, we do not believe it is meaningful to discuss

operating expenses or operating profit (loss) at a segment level for the following reasons: (1) our flight schedules are designed to maximize the passengers flying on both segments, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

As discussed in Note 6 to our consolidated financial statements, except for passenger revenue, the deconsolidation of ExpressJet in 2003 affected the comparability of our quarter-to-quarter financial results. Accordingly, the expense variance explanations discussed below exclude the effect of ExpressJet in 2003 unless the context indicates otherwise. Significant changes in our operating results attributable to the deconsolidation of ExpressJet and attributable to our business generally are as follows (in million, except percentage changes):

	<u>Components of Increase (Decrease)</u>				
	<u>As Reported</u>		Increase (Decrease) related to ExpressJet	All Other Increase	%
	<u>Three Months</u>				
	<u>Ended March 31,</u>				
	<u>2004</u>	<u>2003</u>	<u>Deconsolidation (1)</u>	<u>(Decrease)</u>	<u>ExpressJet</u>
Operating Revenue:					
Passenger:					
Mainline	\$1,734	\$1,611	\$ -	\$123	7.6 %
Regional	353	261	-	92	35.2 %
Cargo, mail and other	<u>182</u>	<u>170</u>	<u>(3)</u>	<u>15</u>	9.0 %
	<u>2,269</u>	<u>2,042</u>	<u>(3)</u>	<u>230</u>	11.3 %
Operating Expenses:					
Wages, salaries and related costs	688	778	(83)	(7)	(1.0)%
Aircraft fuel and related taxes	333	362	(48)	19	6.1 %
ExpressJet capacity purchase, net	317	-	266	51	19.2 %
Aircraft rentals	220	223	-	(3)	(1.3)%
Landing fees and other rentals	158	152	(23)	29	22.5 %
Maintenance, materials and repairs	112	133	(30)	9	8.7 %
Depreciation and amortization	104	116	(5)	(7)	(6.3)%
Bookings fees, credit card discounts and sales	101	91	--	10	11.0 %
Passenger servicing	69	70	(3)	2	3.0 %
Commissions	36	36	-	-	-
Other	211	240	(34)	5	2.4 %
Fleet impairment losses and other special charges	<u>55</u>	<u>65</u>	<u>-</u>	<u>(10)</u>	(15.4)%
	<u>2,404</u>	<u>2,266</u>	<u>40</u>	<u>98</u>	4.2 %
Operating Loss	<u>(135)</u>	<u>(224)</u>	<u>43</u>	<u>(132)</u>	(49.4)%
Nonoperating Income (Expense)	<u>(58)</u>	<u>(90)</u>	<u>(15)</u>	<u>(17)</u>	(22.7)%

Loss before Income Taxes and Minority Interest	(193)	(314)	28	(149)	(43.6)%
Income Tax Benefit	69	105	16	(52)	(43.0)%
Minority Interest	—	_(12)	_(12)	—	NM
Net Loss	\$(124)	\$(221)	\$—	\$(97)	(43.9)%

1. Represents increase (decrease) in amounts had ExpressJet been deconsolidated in the first quarter of 2003 and reported using the equity method of accounting at the 53.1% ownership interest in effect at that time.

Operating Revenue. Total passenger revenue increased 11.5% during the first quarter of 2004 due to higher traffic and capacity in all geographic regions, combined with the negative impact of the war in Iraq and SARS on the prior year results. Mainline passenger revenue increased 7.6% and regional passenger revenue increased 35.2%. Comparisons of passenger revenue, revenue per available seat mile (RASM) and available seat miles (ASMs) by geographic region for our mainline and regional operations are shown below:

Increase (Decrease) for March 31, 2004 YTD vs. March 31, 2003 YTD

	<u>Passenger Revenue</u>	<u>RASM</u>	<u>ASMs</u>
Domestic	3.7%	(2.5)%	6.4 %
Latin America	9.4%	0.2 %	9.2 %
Trans-Atlantic	16.0%	11.7 %	3.8 %
Pacific	23.4%	16.8 %	5.6 %
Total Mainline	7.6%	1.2 %	6.3 %
Regional	35.2%	(0.3)%	35.8 %

Cargo, mail and other revenue increased primarily due to higher freight volumes and revenue-generating initiatives, offset by decreased military charter flights.

The U.S. airline industry is one of the most heavily taxed of all industries. These taxes and fees have grown significantly in the past decade, most recently with the introduction of a \$2.50 security fee imposed on each passenger flight segment, subject to a \$10 per roundtrip cap. Additional taxes and fees include (a) a federal excise tax of 7.5% of the value of the ticket; (b) a federal segment tax of \$3.10 per domestic flight segment of a passenger's itinerary; and (c) up to \$18 per round trip in local airport charges. Various U.S. taxes and fees are also assessed on international flights that can result in total taxes and fees of up to an additional \$43 per round trip, not counting fees and taxes imposed by foreign governments. Certain of these assessments must be included in the fares we advertise or quote to our customers. In many instances, changes in these taxes and fees have been absorbed by the airline industry rather than being passed on to the passenger. As a result, passenger revenue can decrease when these taxes and fees increase.

Operating Expenses. Wages, salaries and related costs decreased primarily due to a reduction in the average number of employees, partially offset by higher wage rates. Aircraft fuel and related taxes increased due to a rise in fuel prices, combined with an increase in flight activity. The average jet fuel price per gallon excluding related taxes increased 1.9% from 98.50 cents in the first quarter of 2003 to 100.33 cents in the first quarter of 2004.

In 2004, payments made to ExpressJet under our capacity purchase agreement are reported as ExpressJet capacity purchase, net. In addition to the payments for the purchased capacity, ExpressJet capacity purchase, net, also includes ExpressJet's fuel expense in excess of the cap provided in the capacity purchase agreement and a related fuel purchase agreement (66.0 cents per gallon) and is net of our rental income on aircraft we lease to ExpressJet. In 2003, transactions between us and Holdings or ExpressJet under the capacity purchase agreement were eliminated in the consolidated financial statements. The actual payments to ExpressJet were higher in the first quarter of 2004 than in the corresponding quarter of 2003 due to increased flight activity at ExpressJet.

Landing fees and other rentals were higher due to increased flights at certain airports combined with fixed rent increases, mainly from the completion of Terminal E at Bush Intercontinental Airport in Houston. Maintenance, materials and repair expenses increased primarily due to higher repair expenses and increases in the engine cost per hour contract rates associated with a maturing fleet. The lower depreciation and amortization in 2004 resulted from the permanent grounding of MD-80 aircraft in 2003. Booking fees, credit card discounts and sales expenses increased due to increased credit card discount fees in 2004 associated with higher revenue.

In the first quarter of 2004, we recorded fleet impairment losses and other special charges of \$55 million (\$35 million after taxes). Included in this charge were \$19 million (\$12 million after taxes) associated with future obligations for rent and return conditions related to three MD-80 aircraft which were permanently grounded and a non-cash charge of \$34 million (\$22 million after taxes) related to the termination of a 1993 service agreement with United Micronesian Development Association. Fleet impairment and other special charges in the first quarter of 2003 included a \$44 million (\$28 million after taxes) additional impairment of our owned MD-80s. The remainder of the 2003 charge consisted primarily of a write-down to market value of spare parts inventory for aircraft types that we had grounded or sold. Our fleet of MD-80s was determined to be impaired and was written down to fair value in 2002. The additional write-downs of the aircraft and spare parts were necessary because the fair market values of these assets have declined as a result of the difficult financial environment and further reductions in capacity by U.S. airlines.

Nonoperating Income (Expense). Equity in the income of affiliates included our equity in the earnings of Holdings and Copa Airlines in 2004 and Orbitz and Copa Airlines in 2003. Other nonoperating income (expense) in the three months ended March 31, 2004 included income of \$2 million related to the adjustment to fair value of our investment in Orbitz, after associated compensation expense, and income of \$12 million related to our tax sharing agreement with Holdings. The three months ended March 31, 2003 included the write-off of our \$6 million investment in Cordiem LLC, an internet-based procurement service.

Income Tax Benefit. Our effective tax rates differ from the federal statutory rate of 35% primarily due to expenses that are not deductible for federal income tax purposes, state income taxes and the accrual in 2003 of income tax expense on our share of Holdings' net income.

Minority Interest. In 2003, minority interest represented the portion of Holdings' net income attributable to the equity of Holdings that we did not own.

Certain Statistical Information. An analysis of statistical information for our operations for the periods indicated is as follows:

	Three Months Ended		Net Increase/ (Decrease)
	March 31,		
	2004	2003	
Mainline Statistics:			
Revenue passengers (thousands)	9,735	9,245	5.3 %
Revenue passenger miles (millions) (1)	14,713	13,274	10.8 %
Available seat miles (millions) (2)	20,270	19,076	6.3 %
Cargo ton miles (millions)	250	233	7.3 %
Passenger load factor (3)	72.6%	69.6%	3.0 points
Passenger revenue per available seat mile (cents)	8.55	8.45	1.2 %
Total revenue per available seat mile (cents)	9.45	9.31	1.5 %
Operating cost per available seat mile including special charges (cents) (4)	9.76	10.25	(4.8)%
Average yield per revenue passenger mile (cents) (5)	11.78	12.14	(3.0)%
Average price per gallon of fuel, excluding fuel taxes (cents)	100.33	98.50	1.9 %
Average price per gallon of fuel, including fuel taxes (cents)	104.13	102.83	1.3 %
Fuel gallons consumed (millions)	320	305	4.9 %
Average fare per revenue passenger	\$178.08	\$174.27	2.2 %
Average length of aircraft flight (miles)	1,297	1,257	3.2 %
Average daily utilization of each aircraft (hours) (6)	9:35	9:10	4.6 %
Actual aircraft in fleet at end of period (7)	357	362	(1.4)%
Regional Statistics:			
Revenue passenger miles (millions) (1)	1,542	1,078	43.0 %
Available seat miles (millions) (2)	2,400	1,767	35.8%
Passenger load factor (3)	64.2%	61.0%	3.2 points
Consolidated Statistics (Mainline and Regional):			
Consolidated passenger load factor (3)	71.7%	68.9%	2.8 points
Consolidated breakeven passenger load factor (8)	79.9%	84.5%	(4.6) points

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 that those seats are flown.
3. Revenue passenger miles divided by available seat miles.
4. Includes fleet impairment losses and other special charges which represented 0.27 and 0.34 cents of operating cost per available seat mile for the three months ended March 31, 2004 and 2003, respectively.
5. The average revenue received for each revenue passenger mile flown.
6. The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
7. Excludes aircraft that were removed from service.
8. The percentage of seats that must be occupied by revenue passengers for us to break even on a net income basis. After-tax fleet impairment losses and other special charges of \$35 million in 2004 and \$41 million in 2003 included in the consolidated breakeven passenger load factor account for 2.2 and 3.0 percentage points, respectively.

LIQUIDITY AND CAPITAL COMMITMENTS

As of March 31, 2004, we had \$1.6 billion in consolidated cash, cash equivalents and short-term investments, which is \$16 million lower than at December 31, 2003. At March 31, 2004, we had \$175 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, letters of credit, performance bonds and interest rate swap agreements. We will be required to maintain additional restricted cash of approximately \$30 million beginning in the second quarter of 2004 as a result of our new credit card processing agreement.

Operating Activities. Cash flows provided by operations for the three months ended March 31, 2004 were \$82 million compared to cash flows used in operations of \$17 million in the comparable period of 2003. The increase in cash flows from operations is primarily the result of our smaller net loss in the first quarter of 2004.

Absent adverse factors outside our control such as additional terrorist attacks, hostilities involving the United States or further significant increases in fuel prices, we currently believe that our liquidity will be sufficient to fund our current operations through 2004 and beyond, although in the future, we will need to continue to implement additional revenue-generating, cost-cutting and other cash-generating measures beyond those previously announced.

Investing Activities. Cash flows used in investing activities, primarily capital expenditures, were \$2 million for the three months ended March 31, 2004 and \$31 million for the three months ended March 31, 2003. We took delivery of seven mainline aircraft and five regional jets in the first quarter of 2004, compared to 12 regional jets in the first quarter of 2003. The delivery of the mainline aircraft in 2004 resulted in higher purchase deposit refunds, partially offset by higher fleet expenditures.

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Net capital expenditures for 2004 are expected to be \$260 million, or \$145 million when reduced by purchase deposits to be refunded, net of purchase deposits paid. Projected net capital expenditures consist of \$70 million of fleet expenditures, \$125 million of non-fleet expenditures and \$65 million for rotatable parts and capitalized interest. Through March 31, 2004, our net capital expenditures totaled \$74 million and net purchase deposits refunded totaled \$60 million.

Financing Activities. Cash flows used in financing activities, primarily the payment of long-term debt and capital lease obligations, were \$93 million for the three months ended March 31, 2004, compared to \$119 million in the three months ended March 31, 2003. During the first quarter of 2004, we issued \$171 million of new debt related to aircraft acquisitions.

At March 31, 2004, we had approximately \$6.1 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. We were in compliance with all debt covenants at March 31, 2004.

On several occasions subsequent to September 11, 2001, Moody's Investors Service and Standard and Poor's both downgraded the credit ratings of a number of major airlines, including us. Additional downgrades to our credit ratings were made in March and April 2003 and further downgrades are possible. At March 31, 2004, our senior unsecured debt ratings were Caa2 (Moody's) and CCC+ (Standard and Poor's). Reductions in our credit ratings have increased the interest we pay on new issuances of debt and may increase the cost and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$60 million under our new credit card processing agreement if our debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard and Poor's.

Our new credit card processing agreement also contains certain financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and rentals, adjusted for certain special charges) to fixed charges (generally, interest and total rentals) ratio of 1.1 to 1.0 for the five-year term of the agreement. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments. We are currently in compliance with these covenants and expect to be able to continue to comply with them. Failure to do so would result in our being required to post up to an additional \$300 million cash collateral.

We have utilized proceeds from the issuance of pass-through certificates to finance the acquisition of 257 leased and owned mainline jet aircraft. Typically, these pass-through certificates, as well as a separate financing secured by aircraft spare parts, contain liquidity facilities whereby a third party agrees to make payments sufficient to pay at least 18 months of interest on the applicable certificates if a payment default occurs. The liquidity providers for these certificates include the following: Landesbank Hessen-Thüringen Girozentrale, Morgan Stanley Capital Services, Westdeutsche Landesbank Girozentrale, AIG Matched Funding Corp., ABN AMRO Bank N.V., Credit Suisse First Boston, Caisse des Depots et Consignations, Bayerische Landesbank Girozentrale, ING Bank N.V. and De Nationale Investeringsbank N.V.

We currently utilize policy providers to provide credit support on three separate financings with an outstanding principal balance of \$564 million at March 31, 2004. The policy providers have unconditionally guaranteed the payment of interest on the notes when due and the payment of principal on the notes no later than 24 months after the final scheduled payment date. Policy providers on these notes are MBIA Insurance Corporation (a subsidiary of MBIA, Inc.), Ambac Assurance Corporation (a subsidiary of Ambac Financial Group, Inc.) and Financial Security Assurance, Inc. (a subsidiary of Financial Security Assurance Holdings Ltd.). Financial information for the parent companies of these policy providers is available over the internet at the SEC's website at <http://www.sec.gov> or at the SEC's public reference room in Washington, D.C.

Deferred Tax Assets. As of December 31, 2003, we had a net deferred tax liability of \$289 million including gross deferred tax assets aggregating \$1.5 billion, \$1.1 billion related to net operating losses ("NOLs"), and a valuation allowance of \$219 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 of an ownership change, utilization of our NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of our stock at the time of the ownership change by the applicable long-term tax-exempt rate (which is 4.40% for March 2004). Any unused annual limitation may be carried over to later years. The amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. Under current conditions, if an ownership change were to occur, our annual NOL utilization would be limited to approximately \$36 million per year other than through the recognition of future built-in gain transactions.

The Internal Revenue Service ("IRS") is in the process of examining our income tax returns for years through 1999 and has indicated that it may disallow certain deductions we claimed. In addition, the IRS has begun an examination of our income tax returns for the years 2000 and 2001. We believe the ultimate resolution of these audits will not have a material adverse effect on our financial condition, liquidity or results of operations.

Pension Plans. We have a noncontributory defined benefit plan concerning substantially all of our employees. Funding requirements for defined benefit pension plans are determined by government regulations. Our 2004 minimum funding requirements are not expected to be significant. However, we currently expect to contribute approximately \$300 million to our pension plan in 2004 to maintain the plan's funding at 90% of its current liability. We are currently evaluating the impact of the Pension Funding Equity Act enacted in April 2004 on our projected funding. We made no contributions to the plan in the three months ended March 31, 2004.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2003 10-K except as follows:

From time to time we enter into petroleum swap contracts, petroleum call option contracts and/or jet fuel purchase commitments to provide some short-term protection (generally three to six months) against a sharp increase in jet fuel prices. Depending upon the hedging method employed, our strategy may limit our ability to benefit from declines in fuel prices. As of March 31, 2004, we had hedged approximately 57% of our remaining 2004 projected fuel requirements. We have hedged 80% of our estimated second quarter 2004 fuel requirements and approximately 25% of our estimated third and fourth quarter 2004 fuel requirements with petroleum call options at a strike price of \$40 per barrel. An additional 20% of our estimated third and fourth quarter 2004 fuel requirements are hedged with petroleum call options at a strike price of \$32 per barrel. We estimate that a 10% increase in the price per gallon of aircraft fuel would increase the fair value of petroleum call options existing at March 31, 2004 by \$17 million.

Also, as of March 31, 2004, we had entered into option and forward contracts to hedge approximately 48% of our projected yen-denominated net cash flows for the remainder of 2004, forward contracts to hedge approximately 75% of our projected British pound-denominated net cash flows for the remainder of 2004 and forward contracts to hedge approximately 57% of our projected euro-denominated net cash flows for the remainder of 2004. We estimate that at March 31, 2004, a 10% strengthening in the value of the U.S. dollar relative to the yen, pound and euro would have increased the fair value of the existing option and/or forward contracts by \$4 million, \$12 million and \$4 million, respectively, offset by a corresponding loss on the underlying 2004 exposure of \$15 million, \$7 million and \$3 million, respectively, resulting in a net \$(11) million, \$5 million and \$1 million gain (loss).

Item 4. Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. They concluded that the controls and procedures were effective as of March 31, 2004 to ensure that material information was accumulated and communicated to the

Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. During the three months ended March 31, 2004, we have made no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Continental is a defendant in an alleged securities fraud class action filed in federal court in Phoenix, Arizona relating to the sale of certain America West stock in 1998 brought against America West Airlines, America West Holdings Corporation and various other defendants, entitled Employer-Teamsters Joint Council No. 84 Pension Trust Fund v. America West Holdings Corp., et al. This action was first filed in March of 1999, but was dismissed. Plaintiffs then filed a Second Amended Consolidated Complaint in January 2001, which was dismissed with prejudice in June of 2001. Plaintiffs appealed that dismissal and in 2003 the Ninth Circuit Court of Appeals reversed and remanded the lower court's dismissal. In January 2004 the class was certified and the case is now set for trial in November 2004.

Item 2. Changes in Securities and Use of Proceeds.

Effective March 12, 2004 we amended our amended and restated stockholders rights agreement (the "rights plan"). Under the rights plan, holders of our Series A Junior Participating Preferred Stock Purchase Rights have the right to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock upon, generally, the acquisition by a person or group of affiliated or associated persons (an "Acquiring Person") of beneficial ownership of shares of our Class B common stock (the "common shares") representing 15% or more of the total number of votes entitled to be cast by the holders of the common share then outstanding. The amendment to the rights plan eliminated the status of certain persons and their affiliates as "exempt persons" whose acquisition of stock would not trigger the provisions of the rights plan.

Item 3. Defaults Upon Senior Securities.

None.

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

The Company's Annual Meeting of Stockholders was held on March 12, 2004. The following individuals were elected to the Company's Board of Directors to hold office for the ensuing year:

<u>NOMINEE</u>	<u>VOTES FOR</u>	<u>VOTES WITHHELD</u>
Thomas J. Barrack, Jr.	52,239,833	6,541,736
Gordon M. Bethune	57,689,954	1,091,615
Kirbyjon H. Caldwell	52,228,810	6,552,759
Lawrence W. Kellner	57,696,674	1,084,895
Douglas H. McCorkindale	57,628,855	1,152,714
Henry L. Meyer III	56,922,994	1,858,575
George G. C. Parker	56,589,797	2,191,772
Karen Hastie Williams	56,007,228	2,774,341
Ronald B. Woodard	57,795,856	985,713
Charles A. Yamarone	52,101,752	6,679,817

A proposal to adopt the Company's 2004 Employee Stock Purchase Plan was voted on by the stockholders as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstaining</u>
37,566,732	598,922	213,997

A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2004 was voted on by the stockholders as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstaining</u>
56,874,116	1,815,709	91,742

A proposal to recommend that the Board of Directors retain the Company's amended and restated stockholders rights agreement was voted on by the stockholders as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstaining</u>
18,581,089	19,584,232	214,328

A stockholder proposal to recommend that the Board of Directors seek stockholder approval regarding the adoption, maintenance, or extension of any current or future stockholders rights agreement was voted on by the stockholders as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstaining</u>
15,068,450	23,020,558	290,642

Item 5. Other Information.

None.

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

a. Exhibits:

- 4.1 Amendment to Amended and Restated Rights Agreement dated as of March 12, 2004 between Continental Airlines, Inc. and Mellon Investor Services LLC (as successor to ChaseMellon Shareholder Services, LLC) (incorporated by reference to Exhibit 1.2 to the Company's Registration Statement on Form 8-A/A filed March 17, 2004).
- 10.1 Supplemental Agreement No. 22 dated as of February 17, 2004 to Agreement of Lease between the Company and the Port Authority of New York and New Jersey regarding Terminal C at Newark Liberty International Airport.
- 10.2 Amendment No. 30 dated as of January 12, 2004, to Purchase Agreement No. GPJ-003/96, between Empresa Brasileira de Aeronautica S.A. ("Embraer") and ExpressJet Airlines, Inc. ("ExpressJet") (successor in interest to Continental Express, Inc.) dated August 5, 1996 relating to the purchase of EMB 145 aircraft ("P.A. 3/96") (1).
- 10.3 Amendment No. 31 dated as of March 16, 2004 to P.A. 3/96 (1).
- 10.4 Amendment No. 4 dated as of January 12, 2004, to Letter of Agreement No. GPJ-004/96 dated August 5, 1996 between Embraer and ExpressJet (1).
- 10.5* Amendment to Continental Airlines, Inc. 1998 Stock Incentive Plan, 1997 Stock Incentive Plan and 1994 Incentive Equity Plan, effective as of March 12, 2004.
- 10.6* Amendment to Continental Airlines, Inc. Incentive Plan 2000, effective as of March 12, 2004.
- 10.7* Amendment to Continental Airlines, Inc. Long Term Incentive

	Performance Award Program, effective as of March 12, 2004.
10.8*	Amendment to Continental Airlines, Inc. Executive Bonus Performance Award Program, effective as of March 12, 2004.
10.9*	Amendment to Continental Airlines, Inc. Officer Retention and Incentive Award Program, effective as of March 12, 2004.
10.10*	Continental Airlines, Inc. Annual Executive Bonus Program.
10.10(a)*	Form of Award Notice pursuant to Continental Airlines, Inc. Annual Executive Bonus Program.
10.11*	Continental Airlines, Inc. Long Term Incentive and RSU Program.
10.11(a)*	Form of Award Notice pursuant to Continental Airlines, Inc. Long Term Incentive and RSU Program (RSU Awards).
10.11(b)*	Form of Award Notice pursuant to Continental Airlines, Inc. Long Term Incentive and RSU Program (NLTIP Award).
10.12*	Letter of Agreement dated March 12, 2004 between the Company and Gordon M. Bethune.
10.13*	Amendment to Employment Agreement dated April 14, 2004 between the Company and Gordon M. Bethune.
10.14*	Retirement Agreement dated April 14, 2004 between the Company and Gordon M. Bethune.
10.15*	Letter of Agreement dated March 12, 2004 between the Company and Lawrence W. Kellner.
10.16*	Employment Agreement dated April 14, 2004 between the Company and Lawrence W. Kellner.
10.17*	Letter of Agreement dated March 12, 2004 between the Company and Jeffery A. Smisek.
10.18*	Waiver Agreement dated March 12, 2004 between the Company and Jeffery A. Smisek.
10.19*	Amendment to Employment Agreement dated April 14, 2004 between the Company and Jeffery A. Smisek.
10.20*	Letter of Agreement dated March 12, 2004 between the Company and Michael H. Campbell.
10.21*	Letter of Agreement dated March 12, 2004 between the Company and David Grizzle.
31.1	Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
31.2	Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
32	Section 1350 Certifications.

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

1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

a. Reports on Form 8-K:

- (i) Report dated January 5, 2004, reporting Item 5. "Other Events". No financial statements were filed with this report, which included a press release reporting our December 2003 performance.
- (ii) Report dated January 16, 2004, reporting Item 5. "Other Events". No financial statements were filed with this report, which included a press

release announcing the decision by Gordon Bethune to retire as our Chairman and Chief Executive Officer effective December 31, 2004, and the election of Larry Kellner, our President and Chief Operating Officer, to succeed Mr. Bethune as Chairman and Chief Executive Officer effective January 1, 2005, and certain other changes to our board.

- (iii) Report dated January 20, 2004, reporting Item 12. "Results of Operations and Financial Condition" and Item 9. "Regulation FD Disclosure". No financial statements were filed with the report, which included a press release reporting our financial results for the fourth quarter and the full year 2003 and an update for investors and analysts presenting information relating to our financial and operational results for 2003 and our outlook for 2004.
- (iv) Report dated February 2, 2004, reporting Item 5. "Other Events". No financial statements were filed with this report, which included a press release reporting our January performance.
- (v) Report dated February 2, 2004, reporting Item 5. "Other Events". No financial statements were filed with this report, which included exhibits related to data being presented by some of our executive officers at a conference.
- (vi) Report dated March 1, 2004, reporting Item 5. "Other Events" and Item 9. "Regulation FD Disclosure". No financial statements were filed with the report, which included a press release reporting our February 2004 performance and an update for investors presenting information relating to our operational performance for February 2004.

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, 2003

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

Date: April 15, 2003

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

**INDEX TO EXHIBITS
OF
CONTINENTAL AIRLINES, INC.**

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- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.

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

1. Continental has applied to the Commission for confidential treatment of a portion of this exhibit.

THIS AGREEMENT SHALL NOT BE BINDING
UPON THE PORT AUTHORITY UNTIL DULY
EXECUTED BY AN EXECUTIVE OFFICER
THEREOF AND DELIVERED TO THE LESSEE
BY AN AUTHORIZED REPRESENTATIVE OF THE
PORT AUTHORITY

Newark International Airport

Supplement No. 22

Port Authority Lease No. **ANA-170**

TWENTY-SECOND SUPPLEMENTAL AGREEMENT

THIS AGREEMENT, made as of February 17, 2004 (the "Effective Date") (sometimes referred to as the "Twenty-second Supplemental Agreement" or as "Supplement No. 22" of the Lease) by and between THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY (hereinafter referred to as "the Port Authority") and CONTINENTAL AIRLINES, INC., a corporation of the State of Delaware, (hereinafter referred to as "the Lessee"),

WITNESSETH, That:

WHEREAS, the Port Authority and People Express Airlines, Inc. as of January 11, 1985 entered into an agreement of lease covering certain premises, rights and privileges at and in respect to Newark International Airport (hereafter called the "Airport") as herein set forth (said agreement of lease as heretofore supplemented and amended is hereinafter called the "Lease"); and

WHEREAS, the Lease was thereafter assigned by said People Express Airlines, Inc. to the Lessee pursuant to an Assignment of Lease with Assumption and Consent Agreement entered into among the Port Authority, the Lessee and said People Express Airline, Inc. and dated August 15, 1987; and

WHEREAS, a certain Stipulation between the parties hereto was heretofore submitted for approval of the United States Bankruptcy Court for the District of Delaware ("the Bankruptcy Court") covering the Lessee's assumption of the Lease as part of the confirmation of its reorganization plan in its Chapter 11 bankruptcy proceedings and as debtor and debtor in possession pursuant to the applicable provisions of the United States Bankruptcy Code as set forth in and subject to the terms and conditions of said Stipulation (said Stipulation being hereinafter referred to as the "Stipulation"); and

WHEREAS, the Stipulation and the Lessee's assumption of the Lease was approved by the Bankruptcy Court by and Order thereof dated the 1st day of October, 1993; and

WHEREAS, the Port Authority and the Lessee desire to amend the Lease in certain respects as hereinafter set forth;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, the Port Authority and the Lessee hereby agree to amend the Lease, effective as of the Effective Date as follows:

1. (a) With respect to the passenger loading bridges which are referred to in the Lease as the "42 passenger loading bridges" for which Port Authority construction advances were made pursuant to Sections 2 and 6 of the Lease (hereinafter sometimes referred to as the "Section 2 loading bridges"), it is hereby recognized that the Lessee has advised the Port Authority that, based on the Lessee's desire to reconfigure gate assignments in the Satellite C-2 portion of the premises ("C-2 portion of the premises"), certain modifications and removal work are required; the same to be performed by the Lessee under Tenant Alteration Applications which have been or shall be submitted by the Lessee for approval by the Port Authority. Said Tenant Alteration Applications if, as and when approved by the Port Authority being herein called the "Alteration Applications". The aforesaid work shall consist of:

(i) the removal from the premises of fourteen (14) of the Section 2 passenger loading bridges including the transfer of the title thereof to the Lessee and the disposition of the same by the Lessee; said fourteen (14) loading bridges being identified by gate number at the C-1 C-2 portions of the premises and by serial number ("2004 (14) Removed Loading Bridges") as follows:

2004 (14) Removed Loading Bridges List

	Gate	Description	Serial Number
No. 1	101	Wollard 500 Fixed Pedestal	WS500R-33
No. 2	103	Wollard 500 Fixed Pedestal	WS500R-34
No. 3	104	Wollard 903 Apron Drive	WS903-13
No. 4	106	Wollard 903 Apron Drive	WS903-14
No. 5	109	Wollard 500 Fixed Pedestal	WS500R-37
No. 6	111	Wollard 500 Fixed Pedestal	WS500R-38
No. 7	112	Wollard 500 Fixed Pedestal	WS500R-51
No. 8	113	Wollard 500 Fixed Pedestal	WS500R-54
No. 9	114	Wollard 500 Fixed Pedestal	WS500R-52
No. 10	115	Wollard 500 Fixed Pedestal	WS500R-53
No. 11	71	Wollard 903 Apron Drive	WS903-17
No. 12	73	Wollard 903 Apron Drive	WS903-18
No. 13	75	Wollard 903 Apron Drive	WS903-20
No. 14	86	Wollard 500 Fixed Pedestal	WS500R-63

and (ii) the relocation from satellite C-2 portion of the premises to Satellite C-1 portion of the premises of the following four (4) loading bridges, of which the loading bridge identified below by gate number 102 and bearing serial number 38765 shall remain a Port Authority owned loading bridge as part of the Section 2 loading bridges; and title to the loading bridge identified below by gate number 110 and bearing serial number 39452 will remain in the Lessee, as described in Supplement No. 18 of the Lease; and that title to the loading bridges identified below by gate numbers 105 and 107 and bearing serial numbers 39483 and 39484 will remain in the New Jersey Economic Development Authority, as described in Supplement No. 18 of the Lease:

	Original C-2 Location (Gate)	Description	Serial Number	New Location C-1 (Gate)
No. 1	102	Jetway A-3 58/110 Apron Drive	38765	86
No. 2	105	Jetway A-3 60/119 Apron Drive	39483	71
No. 3	107	Jetway A-3 60/119 Apron Drive	39484	75

and (iii) the installation in the C-2 portion of the premises, at the Gate Positions Listed below, of twenty-four (24) new apron-drive articulated passenger loading bridges (as hereinafter described) ("C-2-2004 (24) New Loading Bridges"): as follows:

C-2 2004 (24) New Loading Bridges

	New Gate (C-2 Reconfiguration)	Description	Serial Number
No. 1	101	Jetway A-3 58/110 Apron Drive	30097
No. 2	102	Jetway A-3 58/110 Apron Drive	30094
No. 3	103A	Jetway A-3 58/110 Apron Drive	30098
No. 4	103B	Jetway A-3 58/110 Apron Drive	30099
No. 5	104A	Jetway A-3 58/110 Apron Drive	30096
No. 6	104B	Jetway A-3 58/110 Apron Drive	30095
No. 7	105	Jetway A-3 58/110 Apron Drive	30100
No. 8	106	Jetway A-3 50/95 Apron Drive	30109
No. 9	107A	Jetway A-3 58/110 Apron Drive	30101
No. 10	107B	Jetway A-3 58/110 Apron Drive	30102
No. 11	108A	Jetway A-3 50/95 Apron Drive	30111
No. 12	108B	Jetway A-3 50/95 Apron Drive	30110

No. 13	109	Jetway A-3 58/110 Apron Drive	30103
No. 14	110A	Jetway A-3 50/95 Apron Drive	30113
No. 15	110B	Jetway A-3 50/95 Apron Drive	30112
No. 16	111	Jetway A-3 58/110 Apron Drive	30104
No. 17	112A	Jetway A-3 58/110 Apron Drive	30108
No. 18	112B	Jetway A-3 58/110 Apron Drive	30107
No. 19	113A	Jetway A-3 58/110 Apron Drive	30105
No. 20	113B	Jetway A-3 58/110 Apron Drive	30106
No. 21	114A	Jetway TR 46/56	30117
No. 22	114B	Jetway TR 46/56	30116
No. 23	115A	Jetway TR 46/56	30114

;provided that such C-2 2004 (24) New Loading Bridges shall not be deemed to constitute Schedule 1 Terminal Fixtures (as defined in Paragraph 53 of Supplement No. 17 of the Lease) under the Lease.

The Lessee represents and warrants to the Port Authority that the C-2 2004 (24) New Loading Bridges shall be purchased and installed at the C-2 portion of the premises by the Lessee at its sole cost and expense and that the Lessee shall have and shall retain title thereto, subject to the terms and provisions of the Lease including without limitation Sections 34 and 74 thereof.

- a. By the execution of this Supplemental Agreement title to the 2004 (14) Removed Loading Bridges shall be deemed vested in the Lessee, and the Lessee shall, as part of the work under the Alteration Applications, remove, transport and dispose of the 2004 (14) Removed Loading Bridges at the Lessee's sole cost and expense and in accordance with the terms of the Lease, including without limitation all applicable Environmental Requirements (as defined in the Lease) and the Alteration Applications. The Lessee shall install the C-2 2004 (24) New Loading Bridges, and perform all associated and related work, at the C-1 and at the C-2 Gate Positions listed in the foregoing List immediately upon the Lessee's removal from the premises of the 2004 (14) Removed Loading Bridges, and shall perform such work and installations at its sole cost and expense and in accordance with the terms of the Lease, including without limitation all applicable Environmental Requirements (as defined in the Lease) and the Alteration Applications. The Port Authority shall not be responsible for any costs or expenses of any type whatsoever for or in connection with any of the foregoing work or the said transfer of title or removal, transport or disposal of the 2004 (14) Removed Loading Bridges or the said installation of the C-2 2004 (24) New Loading Bridges.

It is specifically understood and agreed that none of the costs and expenses of the foregoing shall be or become part of the cost of the construction work (as defined in section 6 of

the Lease) or part of the Construction Advance Amount (as defined in Section 6 of the Lease). It is further expressly understood and agreed that the transfer of the title to the Lessee and removal, transporting and disposal of the 2004 (14) Removed Loading Bridges by the Lessee shall not result in any recomputation, adjustment or reduction of any construction advance, or the Construction Advance Amount or the Base Annual Rental or any component thereof, and shall not create or entitle the Lessee to any abatement, adjustment or reduction of any rentals or charges under the Lease, and shall not create or entitle the Lessee to any other claim against the Port Authority whether under this Lease or otherwise.

- b. It is expressly understood and agreed that, from and after the Effective Date of this Supplement No. 22 to the Lease, all references to the 42 passenger loading bridges in the Lease shall be deemed to mean the 42 passenger loading bridges as reduced in number and modified pursuant to the provisions of Paragraph 4 of Supplement No. 7 to the Lease, Paragraph No. 9 of Supplement No. 8 to the Lease, Paragraph 4 of Supplement No. 12 to the Lease and as reduced by the removal of the twelve (12) 2001 Removed Loading Bridges pursuant to the provisions of Paragraph 1 of Supplement No. 18, and as reduced by the removal of the 2004 (14) Removed Loading Bridges pursuant to the provisions of Paragraph 1 of this Supplement No. 22.
- c. The Port Authority makes no representations, warranties or guarantees as to 2004 (14) Removed Loading Bridges or any of them or any aspect or any component thereof. The Lessee shall and hereby takes title to and accepts the 2004 (14) Removed Loading Bridges in their "as is" condition and title thereto shall be deemed to pass to the Lessee upon the Lessee's removal thereof from the premises in accordance with the terms of this Supplement No. 22 including but not limited to the requirement for the installation by the Lessee of the C-2 2004 (24) New Loading Bridges at the designated C-2 Gate Positions listed above; and the Lessee expressly accepts, acknowledges and agrees that the Port Authority makes no representations, warranties or guarantees as to the 2004 (14) Removed Loading Bridges or any of them or any aspect or component thereof. The Lessee shall be responsible for and pay all costs and expenses, including without limitation, any and all sales or other taxes, of or pertaining to the transfer of title to the 2004 (14) Removed Loading Bridges and the transporting, storage and disposal thereof.
1. Section 34 of the Lease entitled "Personal Property", as previously amended is hereby further amended as follows: The first line of paragraph (a) thereof (as amended by and set forth in Supplement No. 18 of the Lease) shall be deemed amended to read as follows:

"All personal property (including trade fixtures, the C-1 C-2 New Loading Bridges, as defined in Supplement No. 18 of the Lease, and the C-2 2004 (24) New Loading Bridges, as defined in Supplement No. 22 of the Lease, but specifically excluding the Schedule 1 Terminal Fixtures, and excluding Port owned loading bridges and other Port Authority owned property as mentioned below) removal".

2. Section 74 of the Lease entitled "Purchase of Property", as previously amended, is hereby further amended as follows:
The sixth (6th) line thereof shall be deemed amended to read as follows:

"C-1 C-2 New Loading Bridges (as defined in Supplement No. 18 of the Lease), the C-2 2004 (24) New Loading Bridges (as defined in Supplement No. 22 of the Lease) or such other loading bridges as may be substituted therefore in accordance with Section 34 of the Lease, flight information display system".

3. Each party represents and warrants to the other that no broker has been concerned in the negotiation of this Twenty-second Supplemental Agreement and that there is no broker who is or may be entitled to be paid a commission in connection therewith. Each party shall indemnify and save harmless the other party of and from any and all claims for commissions or brokerage made by any and all persons, firms or corporations whatsoever for services provided to or on behalf of the indemnifying party in connection with the negotiation and execution of this Twenty-second Supplemental Agreement.
4. No Commissioner, director, officer, agent or employee of any party to this Twenty-second Supplemental Agreement shall be charged personally or held contractually liable by or to any other party under any term or provision of this Twenty-second Supplemental Agreement or of any supplement, modification or amendment to the Lease or because of its or their execution or attempted execution or because of any breach or alleged or attempted breach thereof.
5. As hereby amended, all of the terms, covenants, provisions, conditions and agreements of the Lease shall be and remain in full force and effect.
6. This Twenty-second Supplemental Agreement and the Lease which it amends constitute the entire agreement between the Port Authority and the Lessee on the subject matter, and may not be changed, modified, discharged or extended except by instrument in writing duly executed on behalf of both the Port Authority and the Lessee. The Lessee and the Port Authority agree that no representations or warranties shall be binding upon the other unless expressed in writing in the Lease or in this Twenty-second Supplemental Agreement.

IN WITNESS WHEREOF, the Port Authority and the Lessee have executed these presents as of the date first above written.

ATTEST: THE PORT AUTHORITY OF NEW YORK

AND NEW JERSEY

/s/ Karen Eastman By /s/ Francis A. Dimola

Karen Eastman Francis A. Dimola Secretary Assistant Director
Aviation Dept.

ATTEST: CONTINENTAL AIRLINES, INC.

/s/ Jennifer Vogel By /s/ Holden Shannon

Secretary (Title) Holden Shannon
Vice President
Corporate Real Estate
& Environmental Affairs

AMENDMENT N° 30 TO PURCHASE AGREEMENT GPJ-003/96

This Amendment No. 30 ("Amendment 30") dated as of January 12, 2004 is between EMBRAER - Empresa Brasileira de Aeronáutica S.A. ("EMBRAER") and ExpressJet Airlines, Inc., formerly known as New ExpressJet Airlines, Inc. (as assignee from 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, dated as of August 5, 1996 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" or the "Agreement") for the purchase of up to two hundred and forty five (245) new EMB-145 aircraft (the "AIRCRAFT").

All terms defined in the Purchase Agreement shall have the same meaning when used herein, and in case of any conflict between this Amendment 30 and the Purchase Agreement, this Amendment shall control.

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by the PARTIES, EMBRAER and BUYER hereby agree to amend the Purchase Agreement as follows:

1. CHANGES IN THE ESCALATION FORMULA

Since several of the "Sic Codes" (as such codes are referred to in Attachment D to the Purchase Agreement) are no longer published by the Bureau of Labor Statistics ("BLS") of the US Department of Labor, the Purchase Price for all Aircraft shall be calculated as follows:

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

Any references to Attachment "D" shall be deemed references to Attachments "D" and "D-1", simultaneously, and any appliance of the Escalation Formula required under the Purchase Agreement shall follow the procedure described in this Article 1 to this Amendment 30.

2. PURCHASE PRICE "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]"

2.a. The Purchase Prices **"[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]"**.

AIRCRAFT	DELIVERY MONTH	PURCHASE PRICE (US\$) each
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"[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]".

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

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

Each EMB 145 XR AIRCRAFT from XR060 and all subsequent EMB 145 XR AIRCRAFT shall have installed "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]"**.

4. AIRCRAFT BASIC PRICE

As a result of the changes in the AIRCRAFT configuration and in the AIRCRAFT BASIC PRICES specified in this Amendment 30, the AIRCRAFT BASIC PRICE will be:

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

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

Each EMB-145 XR AIRCRAFT from XR054 and all subsequent EMB 145 XR AIRCRAFT shall have installed "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**".

6. **GENERAL**

All other terms and conditions of the Purchase Agreement, which are not specifically amended by this Amendment 30, 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 30 to the Purchase Agreement to be effective as of the date first written above.

**EMBRAER - Empresa Brasileira
de Aeronáutica S.A.**

EXPRESSJET AIRLINES, INC.

By: /s/ Frederico Fleury Curado
Name: Frederico Fleury Curado
Title: Executive VP,Civil Aircraft

By: /s/ Jerry Losness
Name: Jerry Losness
Title: VP and Chief Operating Officer

By: /s/ Flavio Rimoli
Name: Flavio Rimoli
Title: Sr. VP, Airline Market

Date: March 16, 2004
Place: Sao Jose Dos Campos, SP

Date: March 9, 2004
Place: Houston, TX, USA

Witness: /s/ Erika L. Natali
Name: Erika Lulai Natali

Witness: /s/ Kristy A. Nicholas
Name: Kristy A. Nicholas

ATTACHMENT "D-1"

ESCALATION FORMULA

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

AMENDMENT No. 31 TO PURCHASE AGREEMENT No. GPJ-003/96

This Amendment No. 31 ("Amendment 31") dated as of March 16, 2004 is between EMBRAER - Empresa Brasileira de Aeronáutica S.A. ("EMBRAER") and ExpressJet Airlines, Inc., formerly known as New ExpressJet Airlines, Inc. (as assignee from 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, 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" or the "Agreement") for the purchase of up to two hundred and forty five (245) new EMB-145 aircraft (the "AIRCRAFT").

All terms defined in the Purchase Agreement shall have the same meaning when used herein, and in case of any conflict between this Amendment 31 and the Purchase Agreement, this Amendment shall control.

WHEREAS, BUYER and EMBRAER wish to amend the Purchase Agreement to (a) include technical features "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**" and (b) reschedule the delivery months for Reconfirmation AIRCRAFT, all as more fully set forth below;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are acknowledged by the PARTIES, EMBRAER and BUYER hereby agree to amend the Purchase Agreement as follows:

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

Each EMB 145 XR AIRCRAFT from XR061 and all subsequent EMB 145 XR AIRCRAFT shall "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**".

2. **Amendment to Reconfirmation AIRCRAFT Delivery Schedule**

The text of paragraph a.8 of Article 5 of the Purchase Agreement is hereby deleted and replaced with the following:

a.8. RECONFIRMATION AIRCRAFT Deliveries

BUYER has the option to purchase up to one hundred (100) additional XR AIRCRAFT (the "Reconfirmation AIRCRAFT") in accordance with the terms of this Agreement. "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**". The Reconfirmation AIRCRAFT shall be delivered in accordance with the following schedule, provided that all terms and conditions of this Article 5a.8 have been satisfied:

Reconfirmation Group	XR Aircraft	Delivery Month	Reconfirmation Group	XR Aircraft	Delivery Month
	1	"		26	"
	2	[CONFIDENTIAL		27	[CONFIDENTIAL
	3	MATERIAL		28	MATERIAL
	4	OMITTED AND		29	OMITTED AND
	5	FILED		30	FILED
	6	SEPARATELY		31	SEPARATELY
	7	WITH THE		32	WITH THE
	8	SECURITIES		33	SECURITIES
	9	AND		34	AND
	10	EXCHANGE		35	EXCHANGE
	11	COMMISSION		36	COMMISSION
	12	PURSUANT TO A		37	PURSUANT TO A
Group 1	13	REQUEST FOR	Group 2	38	REQUEST FOR
	14	CONFIDENTIAL		39	CONFIDENTIAL
	15	TREATMENT] ".		40	TREATMENT] ".
	16			41	
	17			42	
	18			43	
	19			44	
	20			45	
	21			46	
	22			47	

	23	48
	24	49
	25	50
	51	76
	52	77
	53	78
	54	79
	55	80
	56	81
	57	82
	58	83
	59	84
	60	85
	61	86
	62	87
Group 3	63	Group 4 88
	64	89
	65	90
	66	91
	67	92
	68	93
	69	94
	70	95
	71	96
	72	97
	73	98
	74	99
	75	100

If BUYER exercises its option to purchase the Reconfirmation AIRCRAFT as described above, a non-refundable deposit of "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]" is due and payable for each Reconfirmation Aircraft "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]". This deposit shall be considered part of the payment towards the Basic Price of the relevant Reconfirmation AIRCRAFT. EMBRAER will give the BUYER notice of the Contractual Delivery Date of each Reconfirmation Aircraft for which the Buyer has exercised its option in accordance with the terms of this Article at least "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]" prior to the first business day of the relevant above referred to delivery month. Upon BUYER's exercise of its option with respect to the Reconfirmation AIRCRAFT, each Reconfirmation AIRCRAFT so reconfirmed shall be considered an XR AIRCRAFT for all purposes under the Agreement."

3. AIRCRAFT BASIC PRICE

As a result of the change in the AIRCRAFT configuration and in the AIRCRAFT BASIC PRICE specified in this Amendment 31, the AIRCRAFT BASIC PRICE will be:

AIRCRAFT

BASIC PRICE (JAN/1996 US Dollars)

"[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 Purchase Agreement, which are not specifically amended by this Amendment 31, 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 No. 31 to the Purchase Agreement to be effective as of the date first written above.

By: /s/ Satoshi Yokota
Name: Satoshi Yokota
Title: Executive VP, Development and Industry

By: /s/ Frederick S. Cromer
Name: Frederick S. Cromer
Title: VP and Chief Financial Officer

By: /s/ Flavio Rimoli
Name: Flavio Rimoli
Title: Sr. VP, Airline Market

Date: March 19, 2004
Place: Sao Jose Dos Campos, SP

Date: March 30, 2004
Place: Houston, TX, USA

Witness: /s/ Erika L. Natali
Name: Erika Lulai Natali

Witness: /s/ Kristy A. Nicholas
Name: Kristy A. Nicholas

AMENDMENT N° 4 TO LETTER OF AGREEMENT GPJ-004/96

This Amendment No. 4 to Letter of Agreement GPJ-004/96, dated as of January 12, 2004 (this "Amendment 4") relates to Letter of Agreement GPJ-004/96 dated August 5, 1996, as amended from time to time ("Letter 004/96") between EMBRAER - Empresa Brasileira de Aeronáutica S.A. ("EMBRAER") and ExpressJet Airlines, Inc., formerly known as New ExpressJet Airlines, Inc. (as assignee from ExpressJet Airlines, Inc. formerly known as Continental Express, Inc.) ("BUYER"), and concerns Purchase Agreement No. GPJ-003/96 (the "Purchase Agreement") dated August 5, 1996 as amended from time to time. This Amendment 4 is between EMBRAER and BUYER, collectively referred to herein as the "PARTIES".

This Amendment 4 constitutes an amendment and modification of the Letter Agreement GPJ-004/96. All capitalized terms used in this Amendment 4 and not defined herein, shall have the meaning given in the Purchase Agreement, and in case of any conflict between this Amendment 4, Letter 004/96 and the Purchase Agreement, the terms of this Amendment 4 shall control.

This Amendment 4 sets forth further agreements between EMBRAER and BUYER relative to "[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]"

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, EMBRAER and BUYER hereby agree as follows:

1. The text of Article 12 of Amendment No. 2 to Letter 004/96 shall be entirely deleted and replaced as follows: "**[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**"

2. **All other terms and conditions of the Letter 004/96, which are not specifically amended by this Amendment 4 shall remain in full force and effect without any change.**

[Intentionally left in blank]

IN WITNESS WHEREOF, EMBRAER and BUYER, by their duly authorized officers, have entered into and executed this Amendment 4 to be effective as of the date first written above.

**EMBRAER - Empresa Brasileira
de Aeronáutica S.A.**

EXPRESSJET AIRLINES, INC.

By: /s/ Satoshi Yokota
Name: Satoshi Yokota
Title: Executive VP, Development and Industry

By: /s/ Frederick S. Cromer
Name: Frederick S. Cromer
Title: VP and Chief Financial Officer

By: /s/ Flavio Rimoli
Name: Flavio Rimoli
Title: Sr. VP, Airline Market

Date: March 19, 2004
Place: Sao Jose Dos Campos, SP

Date: March 30, 2004
Place: Houston, TX, USA

Witness: /s/ Erika L. Natali
Name: Erika Lulai Natali

Witness: /s/ Kristy A. Nicholas
Name: Kristy A. Nicholas

Amendment to
 Continental Airlines, Inc. 1998 Stock Incentive Plan,
 Continental Airlines, Inc. 1997 Stock Incentive Plan
 and
 Continental Airlines, Inc. 1994 Incentive Equity Plan

This Amendment (this "Amendment") to the Continental Airlines, Inc. 1994 Incentive Equity Plan and the Continental Airlines, Inc. 1997 Stock Incentive Plan, each as amended and restated as of November 20, 1998 and as further amended by Amendment No. 1 thereto dated as of May 15, 2001 and the Continental Airlines, Inc. 1998 Stock Incentive Plan (as amended and restated through May 15, 2001 (collectively, the "Plans"), is dated as of March 12, 2004 and has been adopted by the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), on March 12, 2004:

1. Pursuant to Section X of the Plans, each of the Plans is hereby amended as follows:

Section IX(c) of each of the Plans is hereby amended in its entirety to read as follows:

"Change in Control. As used in the Plan (except as otherwise provided in an applicable Option Agreement or Restricted Stock Agreement), 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), or (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 (Persons referred to in clauses (i) through (iii) hereof are hereinafter referred to as "Excluded Persons"); or

(bb) individuals who constituted the Board as of March 12, 2004 after giving effect to changes in the composition of the Board as of that date (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director on or after March 12, 2004 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) above (as to Persons described in clause (aa)(iii) above, while they are Excluded Persons) and (II) members of senior management of the Company in office immediately prior to the time the Acquiring Person acquires the beneficial ownership described in clause (aa).

For purposes of clause (cc) above, the Company shall be considered to be the Controlling Corporation in any merger, consolidation, reorganization or similar transaction unless either (1) the 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.

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 and (BB) all restrictions applicable to such recipient's Restricted Stock shall be deemed to have been satisfied and such Restricted Stock shall vest in full.

In addition, except as otherwise provided in the applicable Option Agreement, 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 (for 1998, the highest stated rate is 39.6%); 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."

2. The Plans, as amended by this Amendment, shall apply to all Awards made under the Plans on or after the date hereof and to all outstanding awards made under the Plans prior to the date hereof, inasmuch as the changes to the Plans effected hereby do not impair the rights of any recipients of Awards. In all other respects, the Plans shall continue in full force and effect with respect to all Awards made thereunder.

3. Capitalized terms used in this Amendment without definition are defined in the Plans and are used in this Amendment with the same meanings as in the respective Plans.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of March 12, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek _____

Jeffery A. Smisek

Executive Vice President

Amendment to

Continental Airlines, Inc. Incentive Plan 2000

(as amended and restated through February 20, 2002)

This Amendment (this "Amendment") to the Continental Airlines, Inc. Incentive Plan 2000 (as amended and restated through February 20, 2002) (the "Plan") is dated as of March 12, 2004 and has been adopted by the Board of Directors of Continental Airlines, Inc., a Delaware corporation, on March 12, 2004.

Pursuant to Section 13 of the Plan, the Plan is hereby amended as follows:

Section 12(c) of the Plan is hereby amended in its entirety to read as follows:

"(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), or (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 (Persons referred to in clauses (i) through (iii) hereof are hereinafter referred to as "Excluded Persons"); or

(bb) individuals who constituted the Board as of March 12, 2004 after giving effect to changes in the composition of the Board as of that date (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director on or after March 12, 2004 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) above (as to Persons described in clause (aa)(iii) above, while they are Excluded Persons) and (II) members of senior management of the Company in office immediately prior to the time the Acquiring Person acquires the beneficial ownership described in clause (aa).

For purposes of clause (cc) above, the Company shall be considered to be the Controlling Corporation in any merger, consolidation, reorganization or similar transaction unless either (1) the 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.

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."

2. The Plan, as amended by this Amendment, shall apply to all Awards made under the Plan or under any programs adopted by the Human Resources Committee or the Board thereunder, on or after the date hereof and also to all outstanding Awards made under the Plan or under any such programs prior to the date hereof, inasmuch as the changes to the Plan effected hereby do not impair the rights of any Holder. In all other respects, the Plan shall continue in full force and effect with respect to all Awards made thereunder or under any such programs.

3. Capitalized terms used in this Amendment without definition are defined in the Plan and are used in this Amendment with the same meanings as in the Plan.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of March 12, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

Amendment to**Continental Airlines, Inc. Long Term Incentive Performance Award Program**

This Amendment (this "Amendment") to the Continental Airlines, Inc. Long Term Incentive Performance Award Program (as amended and restated through February 3, 2004) (the "Program") is dated as of March 12, 2004 and has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), on March 12, 2004.

1. Pursuant to Section 7.2 of the Program (which provides for amendments to the Program), the Program is hereby amended as follows:

Section 2.1(g) of the Program is hereby amended in its entirety to read as follows:

"(g) 'Change in Control' shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on March 12, 2004 after giving effect to amendments thereto through such date."

2. The Program, as amended by this Amendment, shall apply to all Awards made under the Program on or after the date hereof and to all outstanding Awards made under the Program prior to the date hereof inasmuch as the changes to the Program effected hereby do not impair the rights of any Participant. In all other respects, the Program shall continue in full force and effect with respect to all Awards made thereunder.

3. Capitalized terms used in this Amendment without definition are defined in the Program and are used in this Amendment with the same meanings as in the Program.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of March 12, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

Amendment to**Continental Airlines, Inc. Executive Bonus Performance Award Program**

This Amendment (this "Amendment") to the Continental Airlines, Inc. Executive Bonus Performance Award Program (as amended and restated through February 20, 2002) (the "Program") is dated as of March 12, 2004 and has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), on March 12, 2004.

1. Pursuant to Section 8 of the Program (which provides for amendments to the Program), the Program is hereby amended as follows:

The first sentence of Section 7 of the Program is hereby amended by deleting the date "May 15, 2001" that appears in the second line thereof and replacing such date with the phrase "March 12, 2004 after giving effect to amendments thereto through such date".

2. The Program, as amended by this Amendment, shall apply to all Awards made under the Program on or after the date hereof and to all outstanding Awards made under the Program prior to the date hereof inasmuch as the changes to the Program effected hereby do not impair the rights of any Participant. In all other respects, the Program shall continue in full force and effect with respect to all Awards made thereunder.

3. Capitalized terms used in this Amendment without definition are defined in the Program and are used in this Amendment with the same meanings as in the Program.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of March 12, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

Amendment to

Continental Airlines, Inc. Officer Retention and Incentive Award Program

This Amendment (this "Amendment") to the Continental Airlines, Inc. Officer Retention and Incentive Award Program (as amended and restated through August 10, 2001) (the "Program") is dated as of March 12, 2004 and has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), on March 12, 2004.

1. Pursuant to Section 7.2 of the Program (which provides for amendments to the Program), the Program is hereby amended as follows:

Section 2.1(e) of the Program is hereby amended to read in its entirety as follows:

"(e) 'Change in Control' shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on March 12, 2004 after giving effect to amendments thereto through such date."

2. The Program, as amended by this Amendment, shall apply to all Awards made under the Program on or after the date hereof and to all outstanding Awards made under the Program prior to the date hereof inasmuch as the changes to the Program effected hereby do not impair the rights of any Participant. In all other respects, the Program shall continue in full force and effect with respect to all Awards made thereunder.

3. Capitalized terms used in this Amendment without definition are defined in the Program and are used in this Amendment with the same meanings as in the Program.

IN WITNESS WHEREOF, the undersigned has executed this Amendment on behalf of the Company as of March 12, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

CONTINENTAL AIRLINES, INC.

ANNUAL EXECUTIVE BONUS PROGRAM

1. **Purpose.** This Continental Airlines, Inc. Annual Executive Bonus 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 and the stockholders 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 measures based upon EBITDAR 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 President, each Executive Vice President and each Senior Vice President of the Company shall automatically participate in the Program with respect to each fiscal year, and, with respect to a particular fiscal year, such other officers of the Company or its subsidiaries shall participate in the Program as may be recommended to the Human Resources Committee of the Board of Directors of the Company (the "Committee") by the Chief Executive Officer of the Company and designated by the Committee to be a participant in the Program with respect to such fiscal year. Each of the foregoing persons is referred to herein as a "Participant", and the right to participate in the Program for a fiscal year or portion thereof constitutes a Performance Award (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. "Base Invested Capital" with respect to a fiscal year means the sum of (x) and (y), where (x) is the simple four-fiscal quarter average of the total amount of property and equipment set forth on the regularly prepared and publicly available consolidated balance sheet of the Company prepared in accordance with GAAP as of the end of the respective fiscal quarter (or with respect to the fourth quarter, the year-end), less accumulated depreciation and amortization thereon and less purchase deposits for flight equipment so set forth, and where (y) is 7.5 times the total amount of aircraft rentals set forth on the regularly prepared and publicly available consolidated statement of operations of the Company prepared in accordance with GAAP with respect to the fiscal year then ended; provided, however, that with respect to fiscal year 2004 only, clause (x) of the definition of Base Invested Capital shall be calculated with respect to the three-fiscal quarter average beginning with the second fiscal quarter (i.e., determined by averaging the data as of June 30, September 30 and December 31, 2004 only) and the resulting average shall be multiplied by 0.75, and clause (y) of the definition of Base Invested Capital shall be calculated with respect to the three-fiscal quarter period ending December 31, 2004.
- b. "Base Salary" with respect to a fiscal year means the Participant's base annual salary with respect to such fiscal year payable by the Company or a consolidated subsidiary, as in effect on the last day of such fiscal year (or as in effect on such other date as may be specified in this Program).
- c. "Basis Point" means one one-hundredth of a percent (0.01%).
- d. "Cash Hurdle" means, with respect to a fiscal year, that the Company's cash flow over such fiscal year is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such fiscal year, as reflected on the regularly prepared and publicly available consolidated balance sheet of the Company prepared in accordance with GAAP, is equal to or greater than the dollar amount specified by the Committee as the Cash Hurdle with respect to such fiscal year as provided in Section 5 hereof; provided, however, that with respect to fiscal year 2004 only, such cash flow shall be measured with respect to the period commencing on April 1, 2004 and ending on December 31, 2004 (which period shall be considered a "fiscal year" for purposes of this Program).
- e. "EBITDAR" with respect to a fiscal year means the aggregate earnings of the Company and its consolidated subsidiaries during such fiscal year, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent; provided, however, that with respect to fiscal year 2004 only, EBITDAR shall be measured with respect to the period commencing on April 1, 2004 and ending on December 31, 2004. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of the Company prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by the 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.

- f. "Entry ROBIC Margin" with respect to a fiscal year means that percentage established by the Committee as the Entry ROBIC Margin with respect to such fiscal year as determined pursuant to Section 5 hereof.
- g. "GAAP" means United States generally accepted accounting principles, consistently applied.
- h. "ROBIC Margin Bonus" with respect to a Participant for a fiscal year shall be equal to the dollar amount calculated by multiplying such Participant's Base Salary with respect to such fiscal year by: (1) 0(zero)%, if the ROBIC Margin with respect to such fiscal year is less than the Entry ROBIC Margin with respect to such fiscal year, or (2) 50% if the ROBIC Margin with respect to such fiscal year is at least equal to the Entry ROBIC Margin with respect to such fiscal year, and (if the ROBIC Margin with respect to such fiscal year exceeds the Entry ROBIC Margin with respect to such fiscal year) an additional Target Incentive Percentage for each Basis Point that the ROBIC Margin with respect to such fiscal year exceeds the Entry ROBIC Margin with respect to such fiscal year, up to and including the Target ROBIC Margin with respect to such fiscal year, and (if the ROBIC Margin with respect to such fiscal year exceeds the Target ROBIC Margin with respect to such fiscal year) an additional Stretch Incentive Percentage for each Basis Point that the ROBIC Margin with respect to such fiscal year exceeds the Target ROBIC Margin with respect to such fiscal year, up to and including the Stretch ROBIC Margin with respect to such fiscal year.
- i. "ROBIC Margin" with respect to a fiscal year means EBITDAR with respect to such fiscal year divided by the Base Invested Capital with respect to such fiscal year, expressed as a percentage.
- j. "Stretch Incentive Percentage" with respect to a fiscal year means that percentage established by the Committee as the Stretch Incentive Percentage with respect to such fiscal year as determined pursuant to Section 5 hereof.
- k. "Stretch ROBIC Margin" with respect to a fiscal year means that percentage established by the Committee as the Stretch ROBIC Margin with respect to such fiscal year as determined pursuant to Section 5 hereof.
- l. "Target Incentive Percentage" with respect to a fiscal year means that percentage established by the Committee as the Target Incentive Percentage with respect to such fiscal year as determined pursuant to Section 5 hereof.
- m. "Target ROBIC Margin" with respect to a fiscal year means that percentage established by the Committee as the Target ROBIC Margin with respect to such fiscal year as determined pursuant to Section 5 hereof.

4. Annual Bonuses. Each Participant in the Program who has remained continuously employed by the Company or a subsidiary during the entire fiscal year with respect to which the Annual Bonus (as defined below) is to be paid, shall receive, as soon as reasonably practicable after the certification by the Committee described in Section 5 below with respect to such fiscal year, a cash bonus (an "Annual Bonus"), if any, equal to the ROBIC Margin Bonus for such Participant with respect to such fiscal year; provided that the Cash Hurdle for such fiscal year has been achieved (and if such Cash Hurdle has not been achieved, then no Annual Bonus shall be payable with respect to such fiscal year). For fiscal years beginning on or after January 1, 2005, if a person becomes a Participant after the first day of a fiscal year (and, with respect to fiscal year 2004, if a person becomes a Participant after the first day that the initial persons first become Participants in the Program), then (i) such Participant's Annual Bonus with respect to such fiscal year shall be pro-rated based on a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such fiscal year and ending on the last day of such fiscal year, and the denominator of which is 365, and (ii) the continuous employment requirement set forth in the first sentence of this Section 4 for the fiscal year in which such Participant begins participation in the Program shall apply only to that portion of such fiscal year beginning on the date of such Participant's commencement of participation (rather than the entire fiscal year).

5. Administration. The Program will be administered by the Committee, which at all times will consist of not less than two persons, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The action of a majority of the members of the Committee will be the act of the Committee. The Committee shall, promptly upon adoption of the Program in the case of the period from April 1, 2004 to December 31, 2004, and prior to the commencement of each fiscal year of the Company beginning on or after January 1, 2005, establish in writing the Entry ROBIC Margin, the Target ROBIC Margin, the Stretch ROBIC Margin, the Target Incentive Percentage, the Stretch Incentive Percentage and the Cash Hurdle for such period or fiscal year for purposes of this Program.

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

the dispute will be limited to whether the Committee has satisfied its duty to make such decision or determination or take such action in good faith.

As soon as is reasonably practical after the end of each fiscal year (or with respect to 2004 only, the period commencing April 1, 2004 and ending December 31, 2004) during which the Program is effective, the Committee shall certify in writing, prior to the payment of any Annual Bonus with respect to such fiscal year (or with respect to 2004 only, such period), whether the performance goals set forth herein have been met and whether any other material terms relating to the payment of such Annual Bonuses have been satisfied, to the extent required by section 162(m) of the Code. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification.

6. Payments upon a Change in Control. If a Change in Control occurs (as such term is defined in the Incentive Plan 2000, as in effect on March 12, 2004, taking into account amendments made on such date) 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 the maximum Annual Bonus payable to such Participant with respect to such Change Year (calculated as if the Stretch ROIC Margin and Cash Hurdle had been achieved, irrespective of actual results, and based on such Participant's Base Salary as in effect on the first day of such Change Year, or if higher, as in effect immediately prior to the occurrence of the Change in Control) and such Participant shall not be entitled to any additional Annual Bonus with respect to such Change Year. As used herein, the term "Qualifying Event" with respect to a Participant means (i) the termination of such Participant's participation in the Program or a reduction in such Participant's Base Salary, (ii) the assignment to such Participant by the Board of Directors or the Committee or other officers or representatives of the Company of duties materially inconsistent with the duties associated with his position as such duties are constituted as of the first day of the Change Year, (iii) a material diminution in the nature or scope of such Participant's authority, responsibilities, or title from those applicable to him as of the first day of the Change Year, (iv) the occurrence of material acts or conduct on the part of the Company or its officers or representatives which prevent such Participant from performing his duties and responsibilities as they existed on the first day of the Change Year, (v) the Company requiring such Participant to be permanently based anywhere outside a major urban center in the state (or, if applicable, foreign country, U.S. territory or other applicable sovereign entity) in which he was based as of the first day of the Change Year, or (vi) the taking of any action by the Company that would materially adversely affect the corporate amenities enjoyed by such Participant on the first day of the Change Year, except in each case if such Participant's employment with the Company and its subsidiaries is terminated (a) upon such Participant's death, (b) upon disability entitling him 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).

7. Amendments, Termination and Other Matters. Subject to the other provisions of this Section 7, this Program may be amended from time to time or terminated by the Committee; *provided* that this Program may not be amended or terminated in a manner that would impair the rights of any Participant with respect to any outstanding Performance Award with respect to a fiscal year that has ended prior to such amendment or termination without the consent of such Participant, and may not be amended or terminated in contemplation of or in connection with a Change in Control, nor may any Participant's participation herein be terminated in contemplation of or in connection with a Change in Control, unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6 of this Program (as in effect on the date of adoption of this Program) with respect to such Change in Control shall be made in connection with any such amendment or termination.

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

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

No liability whatsoever shall attach to or be incurred by any past, present or future stockholders, officers or directors, as such, of the Company or any of its subsidiaries, under or by reason of 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 Performance Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any bonus, Performance Award or other right, title, interest, or benefit hereunder in any manner until the same shall have actually been distributed free and clear of the terms of the Program. 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). Notwithstanding the preceding provisions of this paragraph, the Committee shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2000) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. 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.

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

9. Effective Date. This Program shall be effective as of the date of its adoption by the Committee, and shall be applicable to the period beginning April 1, 2004 to December 31, 2004 and the Company's fiscal years thereafter.

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 9th day of April, 2004, effective as stated above.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

AWARD NOTICE

to [name]

April 14, 2004

Pursuant to the Continental Airlines, Inc.

Annual Executive Bonus Program

This document constitutes your formal Award Notice as a Participant under the Continental Airlines, Inc. Annual Executive Bonus Program (as amended from time to time, the "Executive Bonus Program") adopted under the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000"). This Award Notice evidences your right to participate in the Executive Bonus Program with respect to the period commencing on April 1, 2004, and ending on December 31, 2004 (the "Performance Period"), subject to the terms of the Executive Bonus Program and the Incentive Plan 2000.

The Human Resources Committee of the Board of Directors of the Company (the "Committee") has established certain performance goals for purposes of the Executive Bonus Program. The performance goals relate to the ROBIC Margin achieved by the Company for the Performance Period and the Company's achievement of a Cash Hurdle as of the last day of the Performance Period. ROBIC Margin (which is more specifically defined in the Executive Bonus Program) generally means the EBITDAR achieved by the Company during the Performance Period divided by the Base Invested Capital with respect to the Performance Period, expressed as a percentage. The Cash Hurdle performance goal is satisfied if the Company's cash flow over the Performance Period is such that the Company's total unrestricted cash, cash equivalents and short-term investments as of the last day of the Performance Period is equal to or greater than a target amount specified by the Committee. For purposes of the Executive Bonus Program and the Performance Period, the specific performance targets established by the Committee are as follows: (1) Entry ROBIC Margin of 8%; (2) Target ROBIC Margin of 11%; (3) Stretch ROBIC Margin of 13%; and (4) Cash Hurdle of \$1.0 billion.

Each participant in the Executive Bonus Program who remains continuously employed throughout the entire Performance Period will receive a cash bonus (ROBIC Margin Bonus) if both the Cash Hurdle for the Performance Period is achieved and the Company's ROBIC Margin for the Performance Period is at least equal to the Entry ROBIC Margin for such period. If both of these performance goals are satisfied, then a participant's ROBIC Margin Bonus for the Performance Period will be equal to the participant's base annual salary in effect on the last day of the Performance Period multiplied by a percentage. The percentage is equal to 50% plus (1) if the ROBIC Margin for the Performance Period exceeds the Entry ROBIC Margin for such period, an additional 0.166667% for each Basis Point that the ROBIC Margin exceeds the Entry ROBIC Margin, up to and including the Target ROBIC Margin, and (2) if the ROBIC Margin for the Performance Period exceeds the Target ROBIC Margin for such period, an additional 0.25% for each Basis Point that the ROBIC Margin exceeds the Target ROBIC Margin, up to and including the Stretch ROBIC Margin. A participant's ROBIC Margin Bonus may be prorated as provided in the Program under certain circumstances.

Prior to any payment under the Executive Bonus Program, the Committee must (with limited exceptions) certify in writing that the performance goals have been met.

Capitalized terms used in this Award Notice are defined in the Executive Bonus Program, and your participation is subject to the terms of the Executive Bonus Program and the Incentive Plan 2000. The Executive Bonus Program and the Incentive Plan 2000 are hereby incorporated into this Award Notice by reference.

If you have any questions, or wish to obtain a copy of the Executive Bonus Program or the Incentive Plan 2000, please contact _____.

CONTINENTAL AIRLINES, INC.

By: _____

Michael H. Campbell
Senior Vice President -
Human Resources and
Labor Relations

CONTINENTAL AIRLINES, INC.

LONG TERM INCENTIVE AND RSU PROGRAM

I. PURPOSE OF PROGRAM

This Continental Airlines, Inc. Long Term Incentive and RSU Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 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 (a) with respect to RSU Awards, the limitations on the maximum number of shares of stock that may be subject to awards granted under the Incentive Plan 2000 to any one individual during any calendar year, and (b) with respect to NLTIP Awards, the limitations on the maximum value of Awards contained in Section 5(a)(iii) of the Incentive Plan 2000.

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) "Annual Executive Bonus Program" means the Continental Airlines, Inc. Annual Executive Bonus Program, or any successor to such program.

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

(d) "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.

a. "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(bb)(vi), 2.1(bb)(vii) or 2.1(bb)(viii) below, 125% of the amount described in clause (i), and (2) for all Participants described in Section 2.1(bb)(vi), 2.1(bb)(vii) or 2.1(bb)(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 any deferred compensation plan of the Company 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.

b. "Basis Point" means one one-hundredth of one percent (0.01%).

c. "Board" means the Board of Directors of the Company

d. "Cash Hurdle" means, with respect to an NLTIP Performance Period, the dollar amount specified by the Committee as the Cash Hurdle with respect to such Performance Period as provided in Section 3.1, and achievement of the Cash Hurdle means that the Company's cash flow over such Performance Period is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Performance Period, as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with GAAP, is equal to or greater than that dollar amount so specified by the Committee as the Cash Hurdle.

- e. "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.
- f. "Change in Control" shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on March 12, 2004, taking into account amendments effected on that date.
- g. "Change Year" means the calendar year during which a Change in Control occurs.
- h. "Code" means the Internal Revenue Code of 1986, as amended.
- i. "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.
- j. "Company" means Continental Airlines, Inc., a Delaware corporation.
- k. "Company Stock" means the Class B common stock, par value \$0.01 per share, of the Company.
- l. "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.
- m. "EBITDAR" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the aggregate earnings of the Company or such company and its consolidated subsidiaries during the Performance Period, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of the Company and each company in the Industry Group prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by the Company or such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be 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 an NLTIP 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.
- e. "EBITDAR Margin" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the cumulative EBITDAR for the Company or such company for such Performance Period divided by the Company's or such company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of the Company or 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 an NLTIP 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.
- f. "Eligible Employee" means any individual who is a staff vice president or more senior officer of the Company or a Subsidiary.

- g. "Entry EBITDAR Margin" means, with respect to each NLTIP Performance Period, the percentage determined by calculating the simple average of the EBITDAR Margins of the companies in the Industry Group with respect to such Performance Period.
- h. "GAAP" means United States generally accepted accounting principles, consistently applied.
- i. "Incentive Plan 2000" means the Continental Airlines, Inc. Incentive Plan 2000, as amended from time to time.
- j. "Industry Group" means, with respect to each NLTIP Performance Period, the companies determined in accordance with the provisions of Article V for such Performance Period.
- k. "Market Value per Share" means, as of any specified date, the simple average of the closing sales prices of Company Stock in the principal securities market in which the Company Stock is then traded over the 20 most recent consecutive Trading Days ending on the last Trading Day preceding the specified date, adjusted appropriately by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters occurring during or with respect to any relevant measurement period.
- l. "NLTIP Performance Period" means: (i) as to the first NLTIP Performance Period under the Program, the period commencing on April 1, 2004 and ending on December 31, 2006, and (ii) each three-year period commencing on the first day of a calendar year that begins on or after January 1, 2005. Notwithstanding the foregoing, no new NLTIP Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.
- m. "Participant" means an Eligible Employee who has received an Award under the Program with respect to a Performance Period pursuant to Section 4.1.
- n. "Payment Amount" (A) with respect to RSU Awards means, with respect to each Participant and each RSU Performance Period with respect to which the RSU Performance Target is satisfied, an amount equal to 100% of the RSU Value, determined as of the last day of the relevant RSU Performance Period (or, in the event of a Change in Control, as of the date of the Change in Control, or in the event of death, Disability or Retirement of a Participant, as of the date of such death, Disability or Retirement), and (B) with respect to NLTIP Awards means, with respect to each Participant and each NLTIP Performance Period for which the NLTIP 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 NLTIP Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, multiplied by (ii) the Payout Percentage applicable to such Participant for such NLTIP Performance Period. Notwithstanding the foregoing, a Payment Amount may be pro-rated as provided in the Program.
- o. "Payout Percentage" means, with respect to each NLTIP Performance Period for which the NLTIP 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, Disability or Retirement, 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, 75% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 50 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
- (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, Disability or Retirement, 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, 70% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 20 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for

each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 45 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;

(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, Disability or Retirement, 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, 50% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;

(iv) In the case of a Participant who is a Senior Vice President of the Company (or the President of a Subsidiary) as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 30% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 20 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 20 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;

(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 Annual Executive Bonus Program as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 25% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 15 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 15 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect

to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;

- 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, Disability or Retirement, 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, 40% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 15$ divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 30$ divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
- 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, Disability or Retirement, 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, 30% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 10$ divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 25$ divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period; 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, Disability or Retirement, 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, 15% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 5$ divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to $(x) 10$ divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period.

- a. "Performance Period" means an NLTIP Performance Period or an RSU Performance Period, as applicable or as the context requires.
- b. "Performance Target" means (A) with respect to an NLTIP Performance Period, that (1) the Cash Hurdle with respect to such Performance Period has been achieved, and (2) the Company's EBITDAR Margin with respect

to such Performance Period equals or exceeds the Entry EBITDAR Margin with respect to such Performance Period (clauses (A)(1) and (2) together, the "NLTIP Performance Target"), or (B) with respect to an RSU Performance Period, that the Market Value per Share at any date during the Performance Period has been equal to or greater than the Target Price with respect to such Performance Period (clause (B), the "RSU Performance Target").

- c. "Program" means this Continental Airlines, Inc. Long Term Incentive and RSU Program, as amended from time to time.
- d. "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, Disability or Retirement, 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).
- e. "Retirement," "Retires" or "Retired" means retirement of a Participant from employment with the Company pursuant to the provisions of the Continental Retirement Plan, as amended from time to time.
- f. "RSUs" means the method of denominating RSU Awards, which shall be granted in whole numbers. The number of RSUs subject to an outstanding RSU Award shall be subject to appropriate adjustment by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters relating to Company Stock occurring after the date of grant of such Award and during or with respect to the applicable Performance Period.
- g. "RSU Value" of an RSU Award, as of a specified date, means the dollar amount calculated by multiplying the number of RSUs subject to the RSU Award as of the specified date times the Market Value per Share as of the specified date.
- h. "RSU Performance Period" means: (i) as to the first RSU Performance Period under the Program, the period commencing on April 1, 2004 and ending on June 30, 2005, (ii) as to the second RSU Performance Period under the Program, the period commencing on April 1, 2004 and ending on March 31, 2006, (iii) as to the third RSU Performance Period under the Program, the period commencing on April 1, 2004 and ending on December 31, 2007, and (iv) each four-year period commencing on the first day of a calendar year that begins on or after January 1, 2005. Notwithstanding the foregoing, no new RSU Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.
- i. "Stretch EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Stretch EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Target EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- j. "Subsidiary" for purposes of participation in this Program means any entity (other than the Company) with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).
- k. "Target EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Target EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Entry EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- l. "Target Price" with respect to an RSU Performance Period means the dollar value per share of Company Stock specified by the Committee as the Target Price for such RSU Performance Period as provided in Section 3.1, which Target Price shall be appropriately adjusted by the Committee for any stock splits, stock dividends,

reverse splits, special dividends or other similar events occurring during or with respect to the RSU Performance Period.

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

The Committee shall, promptly upon adoption of the Program in the case of all Performance Periods commencing on April 1, 2004, and prior to the commencement of each Performance Period beginning on or after January 1, 2005, establish in writing (for NLTIP Awards) the applicable Target EBITDAR Margin and Stretch EBITDAR Margin (such that at all times the Stretch EBITDAR Margin shall be higher than the Target EBITDAR Margin, which in turn shall be higher than the Entry EBITDAR Margin) and the Cash Hurdle for each such Performance Period, and (for RSU Awards) the applicable Target Price for each such Performance Period, in each case for purposes of this Program.

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), and (h) below and as described in clause (c) below) shall have all of the powers specified for it under the Program, including, without limitation, the power, right, or authority: (a) to designate an Eligible Employee as a Participant with respect to a Performance Period at any time prior to the last day of such period, (b) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program or the Incentive Plan 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, and to determine the number of RSUs subject to an RSU Award to a Participant (which determination with respect to any person who is subject to Section 16 shall be made only by the Committee), (d) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program in such manner and to such extent as the Administrator shall deem appropriate, (e) to determine the Target Price, the Target EBITDAR Margin and the Stretch EBITDAR Margin with respect to each relevant Performance Period, (f) to determine the Cash Hurdle for each relevant Performance Period, (g) to make determinations as to whether the Performance Targets for the various Performance Periods were satisfied, (h) to certify in writing, prior to the payment of any amount under the Program with respect to a Performance Period, whether the Performance Targets relating to such Performance Period and any other material terms of the Program have in fact been satisfied, and (i) to make all other determinations necessary or advisable for the administration of the Program. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Award or Award Notice in the manner and to the extent it shall deem expedient to carry it into effect.

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

Company or any of its Subsidiaries, under or by reason of the Program or the administration thereof, and each Participant, in consideration of receiving benefits and participating hereunder, expressly waives and releases any and all claims relating to any such liability.

IV. PARTICIPATION AND AWARD NOTICES

4.1 Participation. Each individual who is an Eligible Employee on the first day of a Performance Period shall automatically be a Participant and receive an Award with respect to such Performance Period, unless otherwise determined by the Administrator prior to the first day of the relevant Performance Period. NLTIP Awards shall be made with respect to NLTIP Performance Periods, and RSU Awards shall be made with respect to RSU Performance Periods. Each individual who becomes an Eligible Employee after the first day of a Performance Period shall become a Participant and receive an Award with respect to such Performance Period only if such individual is selected prior to the last day of such Performance Period by the Administrator in its sole discretion for participation in the Program with respect to such Performance Period. Payment Amounts with respect to an individual who becomes a Participant with respect to a Performance Period after the first day of such Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3 or Section 6.4) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the last day of such Performance Period, and the denominator of which is the total number of days in such Performance Period.

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 April 1, 2004 shall be provided on or before May 15, 2004. With respect to RSU Awards to a Participant, the Administrator shall determine in each case the number of RSUs subject to the RSU Award as of the date of grant of the RSU Award. Each Award Notice with respect to an RSU Award shall specify (a) the Performance Period to which the Award relates, (b) the applicable Target Price, and (c) the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to an NLTIP Award shall specify (a) the Performance Period to which the Award relates, (b) the applicable Cash Hurdle, Target EBITDAR Margin and Stretch EBITDAR Margin, and (c) the applicable Payout Percentages set forth in Section 2.1(bb) hereof with respect to the Participant applicable upon the date of grant of the Award.

V. INDUSTRY GROUP

5.1 Initial Designation. The Industry Group shall consist of Alaska Air Group, Inc., America West Holdings Corporation, AMR Corporation, Delta Air Lines, Inc., Northwest Airlines Corporation, Southwest Airlines Co., UAL Corporation, and US Airways Group, Inc.; provided, however, that (a) within 90 days after the first day of each NLTIP Performance Period that begins on or after January 1, 2005, the Committee may in its discretion add any United States certificated scheduled mainline air carrier to, or remove any such company from, the Industry Group for such Performance Period and (b) the Industry Group for each NLTIP Performance Period shall be subject to adjustment as provided in Section 5.2.

5.2 Adjustments to the Industry Group During an NLTIP Performance Period. Except as provided in clause (a) of the proviso to Section 5.1, no company shall be added to, or removed from, the Industry Group for an NLTIP Performance Period during such period; provided, however, that a company shall be removed from the Industry Group for an NLTIP 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 non-bankruptcy reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of such company), (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned subsidiary of such company), or (iv) such company is dissolved and liquidated, or (b) more than 20% of such company's revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of such company prepared in accordance with 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 NLTIP Performance Period and RSU Performance Period, as the case may be, the Committee shall determine whether the applicable Performance Target for such Performance Period has been met and whether any other material terms relating to the payment of the related Awards have been satisfied. The Committee's determination as to whether the applicable Performance Target for a Performance Period and any other material terms relating to the payment of the related Awards have been satisfied 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.

6.2 Eligibility for Payment of Awards. Upon the Committee's written certification in accordance with Section 6.1 that the applicable NLTIP Performance Target for an NLTIP Performance Period or the applicable RSU Performance Target for an

RSU Performance Period and any other material terms relating to the payment of the related Awards have been satisfied, each Participant who has received an Award with respect to the relevant Performance Period for which the related Performance Target and other material terms have been satisfied 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 or otherwise provided in the Participant's employment agreement with the Company. Payment of the amount to which a Participant becomes entitled pursuant to this Section 6.2 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, Disability or Retirement. Except as provided in Section 6.4 and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during a Performance Period with respect to which a Participant has received an Award, such Participant dies or becomes Disabled or Retires, then as to such Participant only (a) the Administrator, with respect to each RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine whether the Market Value per Share at any date during such Performance Period that is on or before the date of such death, Disability or Retirement has been equal to or greater than the Target Price with respect to such Performance Period (in which case the RSU Performance Target shall be deemed to have been met, as to such Participant only), (b) the Administrator, with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine (based on publicly available data with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date) the Company's EBITDAR Margin and the Entry EBITDAR Margin through the most recent practicable date and the Company's cash flow through the most recent practicable date, and the Company's resulting cash, cash equivalents and short term investments, excluding restricted cash, cash equivalents and short term investments at the most recent practicable date, and shall determine, based on such data and publicly available data with respect to the companies contained in the Industry Group (and, if deemed appropriate by the Administrator, annualizing or otherwise making assumptions with respect to any relevant data), whether the Company has achieved the relevant NLTIP Performance Target through such most recent practicable date (and if so, the NLTIP Performance Target shall be deemed to have been met, as to such Participant only), and (c) the provisions of Sections 6.1 and 6.2 shall cease to apply with respect to each such Performance Period. Except as provided in Section 6.4 and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, with respect to each such RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date that the Market Value per Share has been equal to or greater than the Target Price with respect to such Performance Period as 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 relevant Payment Amount applicable to such Participant's RSU Award for such RSU Performance Period, and (ii) not be entitled to any additional payment under the program with respect to such RSU Performance Period, and with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date with respect to which the NLTIP Performance Target has been satisfied in the manner described in clause (b) 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 (b) of the foregoing sentence, equal to the relevant Payment Amount applicable to such Participant's NLTIP Award for such NLTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIP Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the entire NLTIP Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such NLTIP Performance Period.

6.4 Change in Control. Upon the occurrence of a Change in Control, with respect to each Participant who is employed by the Company on the day immediately preceding the date of such Change in Control (or whose employment is terminated in connection therewith or in contemplation thereof), (a) the Performance Targets, including achievement of the Stretch EBITDAR Margin, 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, and (b) 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 an RSU Performance Period described in the first paragraph of this Section 6.4 a Participant who has received an RSU Award with respect to such RSU Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such RSU Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the Payment Amount applicable to such Participant's RSU Award for such RSU Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such RSU Performance Period.

If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during an NLTIP Performance Period described in the first paragraph of this Section 6.4 a Participant who has received an NLTIP Award with respect to such NLTIP Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such NLTIP Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the Payment Amount applicable to such Participant's NLTIP Award for such NLTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIP Performance Period and ending on the date such Participant died, became Disabled, Retired or suffered the Qualifying Event, and the denominator of which is the number of days in the entire NLTIP Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such NLTIP 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 paragraph of this Section 6.4 did not die, become Disabled, Retire or suffer a Qualifying Event during such Performance Period and such Participant remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period, then, with respect to each such Performance Period, such Participant shall receive a payment from the Company within five business days after the last day of such Performance Period in an amount equal to 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 in cash. If at a future date the Company's stockholders approve the use of shares of Company Stock for payment of RSU Awards, then from and after the date of such stockholder approval, the Committee may, in its sole discretion, direct that payment of RSU Awards be made either (a) in shares of Company Stock (subject to any limitations contained in the stockholder approved plan or program authorizing such payment), but if and only if at the time of payment the Company has an effective registration statement under the Securities Act of 1933, as amended, covering the issuance of Company Stock under the Program, or (b) in a combination of cash and/or shares of Company Stock. If the Committee elects to direct the Company to pay all or a portion of a payment due for RSU Awards 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 as of the date used to determine the Payment Amount with respect to such payment, and rounding such number down to the nearest whole share.

VII. TERMINATION AND AMENDMENT OF PROGRAM

7.1 Termination and Amendment. Subject to the terms of this Section 7.1, the Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program (in its entirety or as it applies to one or more specified Subsidiaries) with respect to Performance Periods that have not commenced as of the date of such Committee action; provided, however, that 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. No Participant's participation herein may be terminated in contemplation of or in connection with a Change in Control. This Program may not be amended or terminated in contemplation of or in connection with a Change in Control unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6.4 of this Program (as in effect on the date of initial adoption of the Program by the Committee) with respect to such Change in Control shall be made in connection with any such amendment or termination. The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program and the payment of any outstanding Awards hereunder, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII. MISCELLANEOUS PROVISIONS

8.1 No Effect on Employment Relationship. Except as expressly provided otherwise herein, for all purposes of the Program, a Participant shall be considered to be in the employment of the Company as long as he or she 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). Notwithstanding the preceding provisions of this paragraph, the Administrator shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2000) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. The provisions of the Program shall be binding on all successors and permitted assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

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

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

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

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

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

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

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 April 9, 2004.

CONTINENTAL AIRLINES, INC.

By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

AWARD NOTICE**to [name]****April 14, 2004****Pursuant to the Continental Airlines, Inc.****Long Term Incentive and RSU Program****[RSU Awards]**

This document constitutes your formal Award Notice with respect to RSU Awards as a Participant under the Continental Airlines, Inc. Long Term Incentive and RSU Program (as amended from time to time, the "Program") adopted under the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000"). This Award Notice evidences your receipt of three separate RSU Awards under the Program, as follows:

- 1. First RSU Award - An RSU Award with respect to the RSU Performance Period commencing on April 1, 2004, and ending on June 30, 2005. As of the date hereof, the number of RSUs subject to the First RSU Award is _____, and the Target Price applicable to the First RSU Award is \$17.4775.**
- 2. Second RSU Award - An RSU Award with respect to the RSU Performance Period commencing on April 1, 2004, and ending on March 31, 2006. As of the date hereof, the number of RSUs subject to the Second RSU Award is _____, and the Target Price applicable to the Second RSU Award is \$20.4775.**
- 3. Third RSU Award - An RSU Award with respect to the RSU Performance Period commencing on April 1, 2004, and ending on December 31, 2007. As of the date hereof, the number of RSUs subject to the Third RSU Award is _____, and the Target Price applicable to the Third RSU Award is \$22.4775.**

The number of RSUs subject to an RSU Award and the Target Price applicable to such award shall be subject to adjustment by the Human Resources Committee of the Board of Directors of the Company (the "Committee") as provided in the Program.

The Payment Amount with respect to each of your RSU Awards, assuming the Market Value per Share (generally, the average closing sales price of a share of Company Stock over 20-consecutive Trading Days) at any date during the applicable RSU Performance Period has been equal to or greater than the Target Price applicable to such RSU Award, will be an amount equal to 100% of the RSU Value, determined as of the last day of the applicable RSU Performance Period (or, in the event of a Change in Control, as of the date of the Change in Control, or in the event of death, Disability or Retirement, as of the date of such event). The RSU Value of an RSU Award, as of a specified date, is determined by multiplying the number of RSUs subject to such award as of the specified date times the Market Value per Share as of the specified date. Receipt of a Payment Amount is also conditioned on your continuous employment with the Company and its subsidiaries until the last day of the RSU Performance Period (with limited exceptions for certain terminations of employment, such as death, Disability, and Retirement). A Payment Amount may be pro-rated as provided in the Program under certain circumstances.

Prior to any payment under the Program, the Committee must (with limited exceptions) certify in writing that the Market Value per Share at any date during the applicable RSU Performance Period has been equal to or greater than the Target Price with respect to the related RSU Award.

Capitalized terms used in this Award Notice are defined in the Program, and your participation is subject to the terms of the Program and the Incentive Plan 2000. The Program and the Incentive Plan 2000 are hereby incorporated into this Award Notice by reference.

If you have any questions, or wish to obtain a copy of the Program or the Incentive Plan 2000, please contact

_____.

CONTINENTAL AIRLINES, INC.

By:_____

Michael Campbell

**Senior Vice President -
Human Resources and**

Labor Relations

AWARD NOTICE

to [name]

April 14, 2004

Pursuant to the Continental Airlines, Inc.

Long Term Incentive and RSU Program

[NLTIP Award]

This document constitutes your formal Award Notice with respect to an NLTIP Award as a Participant under the Continental Airlines, Inc. Long Term Incentive and RSU Program (as amended from time to time, the "Program") adopted under the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000"). This Award Notice evidences your receipt of an NLTIP Award under the Program with respect to the NLTIP Performance Period commencing on April 1, 2004, and ending on December 31, 2006 (the "Performance Period").

The Human Resources Committee of the Board of Directors of the Company (the "Committee") has established certain performance goals for purposes of NLTIP Awards under the Program. The performance goals relate to (1) the EBITDAR Margin achieved by the Company for the Performance Period as compared to the average of the EBITDAR Margins achieved by the companies in the Industry Group (currently Alaska Air Group, Inc., America West Holdings Corporation, AMR Corporation, Delta Air Lines, Inc., Northwest Airlines Corporation, Southwest Airlines Co., UAL Corporation and US Airways Group, Inc.) for such period (such average is referred to as the "Entry EBITDAR Margin") and (2) the Company's achievement of a Cash Hurdle as of the last day of the Performance Period. EBITDAR Margin (which is more specifically defined in the Program) generally means the EBITDAR achieved during the Performance Period by the Company (or a company in the Industry Group, as the case may be) divided by the Company's (or such other company's) cumulative revenues over the Performance Period. The Cash Hurdle performance goal is satisfied if the Company's cash flow over the Performance Period is such that the Company's total unrestricted cash, cash equivalents and short-term investments as of the last day of the Performance Period is equal to or greater than a target amount specified by the Committee. For purposes of NLTIP Awards under the Program for the Performance Period, the specific performance targets established by the Committee are as follows: (1) Target EBITDAR Margin equal to Entry EBITDAR Margin plus 100 Basis Points; (2) Stretch EBITDAR Margin equal to Target EBITDAR Margin plus 100 Basis Points; and (3) Cash Hurdle of \$1.0 billion.

The potential Payout Percentage applicable to your NLTIP Award for the Performance Period will vary depending on the EBITDAR Margin achieved by the Company for such period as compared to the Entry EBITDAR Margin for such period. Based on your position and pay at April 14, 2004, your potential Payout Percentage is equal to ___% plus (1) if the Company's EBITDAR Margin with respect to the Performance Period exceeds the Entry EBITDAR Margin with respect to such period, an additional percentage equal to (x) ___ divided by (y) 100, for each Basis Point that the Company's EBITDAR Margin with respect to the Performance Period exceeds the Entry EBITDAR Margin with respect to such period, up to and including the Target EBITDAR Margin with respect to the Performance Period, and (2) if the Company's EBITDAR Margin with respect to the Performance Period exceeds the Target EBITDAR Margin with respect to such period, an additional percentage equal to (x) ___ divided by (y) 100, for each Basis Point that the Company's EBITDAR Margin with respect to the Performance Period exceeds the Target EBITDAR Margin with respect to such period, up to and including the Stretch EBITDAR Margin with respect to the Performance Period.

The Payment Amount with respect to your NLTIP Award for the Performance Period, assuming that both the Cash Hurdle for such period is achieved and the Company's EBITDAR Margin is at least equal to the Entry EBITDAR Margin for such period, will be your Payout Percentage times your Base Amount (base annual salary plus a deemed bonus) in effect as of the earlier of the last day of the Performance Period, the date of your death, Disability or Retirement, or the day immediately preceding the date upon which you suffer a Qualifying Event in connection with, after, or in contemplation of a Change in Control. Receipt of a Payment Amount is also conditioned on your continuous employment with the Company and its subsidiaries until the last day of the Performance Period (with limited exceptions for certain terminations of employment, such as death, Disability, and Retirement). A Payment Amount may be pro-rated as provided in the Program (for example, if you become a participant in the Program after April 14, 2004, or if your employment terminates under certain circumstances prior to the last day of the Performance Period).

Prior to any payment under the Program, the Committee must (with limited exceptions) certify in writing that the performance goals have been met.

Capitalized terms used in this Award Notice are defined in the Program, and your participation is subject to the terms of the Program and the Incentive Plan 2000. The Program and the Incentive Plan 2000 are hereby incorporated into this Award Notice by reference.

If you have any questions, or wish to obtain a copy of the Program or the Incentive Plan 2000, please contact _____.

CONTINENTAL AIRLINES, INC.

By: _____

Michael Campbell

Senior Vice President -

Human Resources and

Labor Relations

CONTINENTAL AIRLINES, INC.

1600 SMITH ST.

HOUSTON, TEXAS 77002

March 12, 2004

Mr. Gordon M. Bethune

Chairman of the Board and Chief Executive Officer

Continental Airlines, Inc.

1600 Smith St., Dept. HQSEO

Houston, TX 77002

Dear Mr. Bethune:

The purpose of this letter agreement is to amend your employment agreement with Continental Airlines, Inc. (the "Company") to take into account the March 12, 2004 amendment to the definition of "Change in Control" in the Company's various employee benefit plans and programs, including the Incentive Plan 2000 and the Long Term Incentive Performance Award Program. The definition of Change in Control was amended to delete references to certain Excluded Persons and to update those individuals who comprise the Incumbent Board, all as such terms are used in the Change in Control definition. The Company has provided you a copy of the amended Change in Control definition.

You and the Company agree that your current employment agreement is amended so that all references therein to "Change in Control" (other than the reference to "Change in Control" that appears in clause (ii) of Section 4.7 of your current employment agreement, which shall not be affected by this amendment) refer to such amended "Change in Control" definition.

If you agree with the foregoing, please sign the enclosed copy of this letter agreement and return the enclosed copy to me, whereby this letter agreement shall be a binding agreement between you and the Company and shall amend your current employment agreement accordingly.

Sincerely,

/s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ Gordon M. Bethune

Gordon M. Bethune

**AMENDMENT TO
EMPLOYMENT AGREEMENT**

THIS AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is entered into by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Gordon M. Bethune ("Executive") as of April 14, 2004.

WHEREAS, Company and Executive have heretofore entered into that certain Employment Agreement dated as of July 25, 2000, as amended by letter agreements dated September 26, 2001, April 9, 2002, and March 12, 2004, and as amended by that certain Compensation Cap Agreement dated as of May 19, 2003, between Company and Executive (as so amended, the "Employment Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors of Company has adopted a new Annual Executive Bonus Program and a new Long Term Incentive and RSU Program; and

WHEREAS, Company and Executive desire to amend the Employment Agreement in certain respects in recognition of the adoption of such new programs;

NOW, THEREFORE, in consideration of the premises set forth above and the mutual agreements set forth herein, Company and Executive hereby agree, effective as of the date first set forth above, that the Employment Agreement shall be amended as hereafter provided:

1. Clause (vi) of paragraph 2.3 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(vi) a material breach by Company of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Executive to Company, it being agreed that any reduction in (a) Executive's then current annual base salary, or (b) Executive's annual cash bonus opportunity as a percentage of such base salary from that percentage in effect on April 9, 2004 (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals), shall in each case constitute a material breach by Company of this Agreement; or"

2. Subparagraph (a) of paragraph 3.2 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(a) Cash Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after April 9, 2004 (including, without limitation, any such program maintained for 2004) at a level which is not less than the highest participation level made available to any Company executive; provided that Company shall at all times maintain Executive's annual cash bonus opportunity as a percentage of his annual base salary in an amount that is at least as great as that in effect on April 9, 2004 (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals)."

3. Clause (iii) of paragraph 4.1(B) of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(iii) cause Company to pay to Executive, at the same time as other Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive Performance Award Program ("LTIP") and Long Term Incentive and RSU Program ("NLTIP/RSU Program"), as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program, as the case may be, upon the occurrence of a Qualifying Event with respect to Executive in connection with a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards),"

4. Clause (3) of paragraph 4.2(ii) of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(3) cause Company to pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the LTIP or the NLTIP/RSU Program, as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such

Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program upon the occurrence of Executive's death or Disability after a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards),"

5. Paragraph 5.12 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.7(iv) and any awards under the Company's stock incentive plans or programs, LTIP, Retention Program, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, (ii) that certain Retirement Agreement between Company and Executive dated April 14, 2004, (iii) that certain Compensation Cap Agreement dated as of May 19, 2003, between Company and Executive, and (iv) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement (as amended through April 14, 2004), will, as of April 14, 2004, constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged."

6. The first sentence of paragraph 5.14 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"Executive agrees that the payment to Executive of the Existing Severance hereunder will not be deemed to be in connection with circumstances which would permit Executive to receive severance benefits pursuant to any contract of employment between Executive and Company or any of its subsidiaries within the meaning of clause (d) of the last sentence of Section 6 of Company's Annual Executive Bonus Program, as in effect on April 9, 2004."

7. This Amendment (a) shall supersede any prior agreement between Company and Executive relating to the subject matter of this Amendment and (b) shall be binding upon and inure to the benefit of the parties hereto and any successors to Company and all persons lawfully claiming under Executive.

8. Except as expressly modified by this Amendment, the terms of the Employment Agreement shall remain in full force and effect and are hereby confirmed and ratified.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first set forth above.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael H. Campbell

Name: Michael H. Campbell

Title: Senior Vice President -

Human Resources and

Labor Relations

"EXECUTIVE"

/s/ Gordon M. Bethune

GORDON M. BETHUNE

APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

RETIREMENT AGREEMENT

This Retirement Agreement ("Agreement") is entered into between GORDON M. BETHUNE ("Executive") and Continental Airlines, Inc. ("Continental" or the "Company"), and is effective on and as of the Effective Date (as defined below), subject to paragraph 21 of this Agreement.

WHEREAS, Executive desires to retire; and

WHEREAS, the Company has determined that it is in the best interests of the Company that Executive retire; and

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of July 25, 2000, as amended by letter agreements dated September 26, 2001, April 9, 2002, March 12, 2004, and April 14, 2004, respectively, and as further amended by that certain Compensation Cap Agreement dated as of May 19, 2003 ("Compensation Cap Agreement") between the Company and Executive (as so amended, the "Employment Agreement"); and

WHEREAS, Executive is desirous of receiving additional consideration upon his retirement beyond that provided for in his Employment Agreement, and the Company is desirous of obtaining the retirement of Executive and the releases and other agreements of Executive contained in this Agreement; and

WHEREAS, the Human Resources Committee of the Board of Directors of the Company has authorized the Company to execute, deliver and perform its obligations under this Agreement;

NOW, THEREFORE, IT IS AGREED between Executive and Continental as follows:

1. **Voluntary Separation of Employment and Retirement.** The terms of this Agreement are in addition to the terms contained in the Employment Agreement and the Compensation Cap Agreement, and nothing herein shall affect any of Executive's or Continental's rights or obligations under the Employment Agreement or the Compensation Cap Agreement, except as expressly set forth herein. Capitalized terms used herein without definition are defined in the Employment Agreement and are used herein with the same definitions as in the Employment Agreement. Each of Executive and Continental agree that Executive's separation from employment with Continental is voluntary and shall be treated as a resignation, as of the Effective Date, by Executive pursuant to paragraph 2.3(vii) under the Employment Agreement, and as a retirement under Executive's outstanding stock option, restricted stock and Officer Retention and Incentive Award Program ("Retention Program") awards, under Executive's supplemental executive retirement plan contained in his Employment Agreement ("SERP"), and under the Continental Retirement Plan ("CARP"), in each case with the date of such retirement being the Effective Date. Accordingly, pursuant to the Employment Agreement, (i) Executive shall, subject to the terms of the Employment Agreement, be provided Flight Benefits, as modified herein, for the remainder of Executive's lifetime, (ii) Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in the Employment Agreement) for the remainder of Executive's lifetime, (iii) Company shall perform its obligations with respect to the automobile used by Executive as provided in subparagraph 3.7(i) of the Employment Agreement, and (iv) Company shall pay Executive on the Effective Date a lump sum, cash payment in an amount equal to the Existing Severance. Executive's resignation shall function as a resignation, effective as of the Effective Date, from his position as a member of the board of directors of Continental Airlines, Inc. and its affiliates (including without limitation Air Micronesia, Inc. and Continental Micronesia, Inc.), and from the board of directors of ExpressJet Holdings, Inc.
2. **Use of Unused Travel Benefit.** Upon Executive's death, in lieu of the usage of Executive's Flight Benefits after his death by his surviving spouse and children specified in the Employment Agreement, the following provision shall apply:

"Upon Executive's death, his surviving spouse and children will be permitted, in the aggregate, to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Flight Benefits on the CO system (out of any amounts unused by Executive at the date of his death) for up to a total amount of the unused balance of Executive's Annual Travel Limit at the date of his death (which unused balance, and the unused balance of Executive's Annual Gross Up Limit, shall be fixed at the date of Executive's death and shall not be adjusted except as provided below in this paragraph) in value of flights (in any fare class) on the CO system, valued identically to the valuation of flights for purposes of Flight Benefits as described in Executive's employment agreement, which unused balance of Executive's Annual Travel Limit (and unused Annual Gross Up Limit) at the date of his death shall adjust automatically upon any change in the valuation methodology, from and after the date of Executive's death, for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of the date of Executive's death), so as to preserve the benefit of such unused balance of Executive's Annual Travel Limit (and unused Annual Gross Up Limit) relative to the valuations resulting from the valuation methodology used by the Company as of the date of Executive's death (e.g., if a change in the valuation methodology results, on average, in such flights being valued 10% higher than the valuation that would result using the valuation methodology used by the Company as of the date of Executive's death, then the then-unused Annual Travel Limit (and then-unused Annual Gross Up Limit) would be increased by 10%).

Upon their request, the Company will promptly notify each of Executive's surviving spouse and children in writing of the amount of the unused balance of Executive's Annual Travel Limit (and the unused balance of Executive's Annual Gross Up Limit) at the date of his death and of any subsequent adjustment thereto. All restrictions, duties and obligations of Executive, and all rights of the Company, relating to Executive's usage of his Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children. In connection therewith, after the death of Executive, each of Executive's surviving spouse and children will be issued a UATP card (or Similar Card), subject to the limitations of usage thereof described herein."

3. **2004 Annual Bonus and NLTIP/RSU Awards.** Continental shall pay Executive the amount of his annual bonus for 2004 under the Company's Annual Executive Bonus Program ("Annual Executive Bonus Program"), less applicable taxes, pro-rated based on a fraction, the numerator of which is the number of days during the period beginning on April 1, 2004 and ending on the Effective Date, and the denominator of which is the number of days during the period beginning on April 1, 2004 and ending on December 30, 2004, payable only if and when bonuses are paid to other participants under the Annual Executive Bonus Program. Provided that the Effective Date is no earlier than November 15, 2004, Continental shall (i) pay Executive the Payment Amount (as defined in the Long Term Incentive and RSU Program ("NLTIP/RSU" Program)) of his NLTIP Award, less applicable taxes, pro-rated based on a fraction, the numerator of which is the number of days during the period beginning on April 1, 2004 and ending on the Effective Date, and the denominator of which is the number of days during the Performance Period of the NLTIP Award, payable only if and when the NLTIP Awards with respect to such Performance Period are paid to other participants under the NLTIP/RSU Program, and (ii) pay Executive the Payment Amount of his RSU Awards, less applicable taxes, payable only if and when the RSU Awards with respect to the applicable Performance Periods for such RSU Awards are paid to other participants under the NLTIP/RSU Program.
4. **SERP.** Continental agrees that, in lieu of using the Aa Corporate Bond Rate for the purposes described in Paragraph 3.5 (vii) of Executive's Employment Agreement, the Company shall instead use a fixed rate of 4.93%, which is the applicable Continental Retirement Plan (CARP) lump sum discount rate for the period 7/01/04 to 12/31/04. Executive hereby elects, pursuant to paragraph 3.5(iii) of the Employment Agreement, to take a Lump-Sum Payment (as such term is defined in the SERP) under his SERP payable to Executive on the first day of the month following the Effective Date, and the Company hereby waives the 10% reduction in the amount of such payment otherwise provided for in the SERP. Company and Executive agree that, for purposes of calculating the amount of Executive's SERP payable to him, the number of credited years of service for Executive shall be 30 years, irrespective of the date Executive selects to be the Effective Date, and Executive's final average compensation shall be deemed to be \$2,398,488, which represents the mathematical equivalent of adjusting, on an annual basis, the monthly annuity payments that would be made under Executive's SERP (but for his election of a Lump-Sum Payment) by a cost of living adjustment of 2.71% annually and reflecting the likelihood of Executive receiving each year's payments calculated using the assumptions used to determine lump sum payments under the CARP.
5. **Services and Other Items.** Continental will provide Executive the services and other items described in clauses (2), (3) and (4) of paragraph 4.7(iv) of the Employment Agreement, for the time periods described therein. Continental agrees that it shall not require Executive to pay premium costs for the Continuation Coverage (as that term is defined in the Employment Agreement).
6. **Parking at Airports.** Continental shall provide at no expense to Executive a parking place at one additional airport served by Continental and designated by Executive, for as long as Continental provides him a parking space at IAH.
7. **Payments of Excess Salary Reduction under Compensation Cap Agreement.** As provided by and subject to the provisions of the Compensation Cap Agreement, Continental will pay Executive (in any event no later than April 1, 2005) the amount, if any, by which the Company reduced Executive's annual Salary in excess of that necessary to have permitted the Company to comply with its Limitation Agreement (as such terms are defined in the Compensation Cap Agreement).
8. **Options.** Executive agrees that all his outstanding option grants, restricted stock grants, NLTIP Awards, RSUs awards and PARs awards under the Retention Program are listed on Exhibit A hereto. As provided in the applicable option grant documents, all options will vest effective on the Effective Date and Executive will have until the close of business (5:00 p.m., Houston time) one year after the Effective Date (or, if earlier, the expiration of the relevant option period) to exercise his options. At the close of business (5:00 p.m., Houston time) on the date that is one year after the Effective Date (or, if earlier, on the expiration of the relevant option period), all of Executive's options will expire whether or not exercised.
9. **Restricted Stock.** As provided in the applicable grant documents with respect to Executive's restricted stock, all shares of Executive's restricted stock will vest on the Effective Date.

10. **PARs, NLTIP Awards and RSU Awards.** As provided in the applicable award documents and the terms of the Retention Program, Executive's nonvested PARs under the Retention Program will vest on the Effective Date. Payment, if any, under Executive's outstanding NLTIP Award and his RSU Awards shall be made in accordance with Section 3 hereof.
11. **LTIP.** No amounts will be payable to Executive with respect to his outstanding awards under the Company's Long Term Incentive Performance Award Program.
12. **Separation Benefits.** The Company and Executive both acknowledge and agree that neither would be entitled to certain of the benefits provided for in this Agreement upon Executive's voluntary termination of employment with the Company on the Effective Date in the absence of this Agreement.
13. **Mutual Releases.** In consideration of the additional benefits provided herein, Executive hereby releases Continental and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys (collectively, "Releasees") from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach (i) by Continental of this Agreement, the Employment Agreement or the Compensation Cap Agreement (other than claims arising directly out of Executive's cessation of employment), or (ii) of its obligations under the CARP, under Executive's outstanding grants of stock options or restricted stock, or under awards under the Retention Program, the Annual Executive Bonus Program or the NLTIP/RSU Program. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance harmful to Continental or any Releasee or claims arising from a breach by Executive of this Agreement, the Employment Agreement or the Compensation Cap Agreement or Executive's obligations under the CARP, under Executive's outstanding grants of stock options or restricted stock, or under awards under the Retention Program, the Annual Executive Bonus Program or the NLTIP/RSU Program. These releases are to be broadly construed in favor of the released persons. The releases in this paragraph do not apply to any rights or claims that may arise after the date of execution of this Agreement by Executive. Both parties agree that this Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party.
14. **Surviving Obligations.** Notwithstanding the foregoing, the obligations created by this Agreement, the Employment Agreement, the Compensation Cap Agreement, the CARP and Executive's outstanding option grants, grants of restricted stock and awards under the Retention Program, the Annual Executive Bonus Program and the NLTIP/RSU Program are not released. Executive further agrees that the amounts and covenants contained herein are of greater value than anything to which Executive is already entitled, and Executive will not file or permit to be filed on his behalf any claim or lawsuit relating to his employment or its termination, other than to enforce the provisions of this Agreement, the Employment Agreement, the Compensation Cap Agreement, the CARP, the option grants, grants of restricted stock or the awards to Executive under the Retention Program, the Annual Executive Bonus Program or the NLTIP/RSU Program. Executive understands and agrees that, except for any vested benefits he may have pursuant to the Employee Retirement Income Security Act of 1974, he will not be entitled to any other compensation beyond that which Continental has agreed to provide herein, in the Employment Agreement or the Compensation Cap Agreement or pursuant to the option grants, grants of restricted stock or the awards to Executive under the Retention Program, the Annual Executive Bonus Program or the NLTIP/RSU Program.
15. **Effective Date.** Executive has twenty-one (21) days to review and consider this Agreement. Subject to paragraph 21 below, this Agreement will become enforceable and irrevocable seven days after the date on which Executive signs it, and shall be effective as of the close of business (5:00 p.m., Houston time) on any date at least 30 days after such seven day period that is designated by Executive, but in no event shall such date so designated by Executive be after December 30, 2004 (the date so designated by Executive in accordance with the provisions of this Section 15 being referred to herein as the "Effective Date"). Executive shall designate the Effective Date by delivering to the Secretary of the Company (at 1600 Smith, Dept. HQSLG, Houston, Texas 77002) a written notice specifying the Effective Date, which notice must be delivered at least 30 days in advance of the Effective Date specified in such notice. During the seven-day period after Executive signs this Agreement, Executive may revoke this Agreement in writing addressed to the undersigned. If Executive exercises his right to revoke, this Agreement shall be null and void and Executive will forfeit his right to receive amounts or other benefits that would otherwise be paid or provided to him hereunder.
16. **Legal Representation.** Executive represents and agrees that he has been advised to and had the opportunity to thoroughly discuss all aspects of this Agreement with his private attorney, that he has carefully read and fully understands all of the provisions of this Agreement, and that he is knowingly and voluntarily entering into this Agreement.

17. **Specific Performance.** The parties acknowledge that, in the event of a breach of this Agreement, damages would not provide an adequate remedy and that the non-breaching party may seek specific performance of any provision contained herein. If any party to this Agreement brings legal action to enforce the terms of this Agreement, the party which prevails in such legal action, in addition to the remedy or relief obtained in such action, shall be entitled to recover its or his expenses incurred in connection with such legal action, including without limitation, costs of court and attorneys' fees.
18. **Tax Withholding.** The Company may withhold all applicable taxes from payments to be made hereunder.
19. **Confidential and Proprietary Information.** Executive agrees to hold in confidence and not disclose to any person or otherwise misuse Confidential or Proprietary Information of Continental or its subsidiaries or affiliates. "Confidential or Proprietary Information" means information relating to Continental, its subsidiaries or affiliates (such as business plans, trade secrets, or financial information of strategic importance to Continental or its subsidiaries or affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Continental and the disclosure of which would materially harm the business prospects, financial status or reputation of Continental or its subsidiaries or affiliates at the time of any disclosure by Executive.
20. **Entire Agreement.** The terms and conditions of this Agreement constitute the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede any and all prior agreements and understandings, written or oral, between the parties with respect thereto. This Agreement shall be governed by the laws of the State of Texas. The parties intend that the provisions of this Agreement (and the provisions of Executive's Employment Agreement) benefiting Executive's estate or his surviving spouse and children shall be enforceable by them.
21. **Effect of Certain Terminations of Employment.** This Agreement shall be effective as of the Effective Date; provided, however, that if Executive's employment by the Company is terminated by the Company prior to the Effective Date pursuant to paragraphs 2.2(iii) or 2.2(iv) of his Employment Agreement, then this Agreement, automatically and without further action by either party, shall be null and void and of no force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement, to be effective on the Effective Date, subject to paragraph 21 hereof.

Date of execution by Executive: EXECUTIVE

April 14, 2004 /s/ Gordon M. Bethune

Gordon M. Bethune

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President

Human Resources & Labor Relations

CONTINENTAL AIRLINES, INC.

1600 SMITH ST.

HOUSTON, TEXAS 77002

March 12, 2004

Mr. Lawrence W. Kellner

President and Chief Operating Officer

Continental Airlines, Inc.

1600 Smith St., Dept. HQSEO

Houston, TX 77002

Dear Mr. Kellner:

The purpose of this letter agreement is to amend your employment agreement with Continental Airlines, Inc. (the "Company") to take into account the March 12, 2004 amendment to the definition of "Change in Control" in the Company's various employee benefit plans and programs, including the Incentive Plan 2000 and the Long Term Incentive Performance Award Program. The definition of Change in Control was amended to delete references to certain Excluded Persons and to update those individuals who comprise the Incumbent Board, all as such terms are used in the Change in Control definition. The Company has provided you a copy of the amended Change in Control definition.

You and the Company agree that your current employment agreement is amended so that all references therein to "Change in Control" refer to such amended "Change in Control" definition.

If you agree with the foregoing, please sign the enclosed copy of this letter agreement and return the enclosed copy to me, whereby this letter agreement shall be a binding agreement between you and the Company and shall amend your current employment agreement accordingly.

Sincerely,

/s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ Lawrence W. Kellner

Lawrence W. Kellner

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and LAWRENCE W. KELLNER ("Executive"), and is dated and effective as of April 14, 2004 (the "Effective Date").

WITNESSETH:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of July 25, 2000, as amended by letter agreements dated September 26, 2001, April 9, 2002, and March 12, 2004, respectively, and as amended by that certain Compensation Cap Agreement dated as of May 19, 2003, between the Company and Executive (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors of Company ("HR Committee") has deemed it advisable and in the best interests of Company and its stockholders to assure management continuity for Company in light of the planned retirement of Company's current Chairman of the Board and Chief Executive Officer and, consistent therewith, has authorized the execution, delivery and performance by Company of this Agreement;

WHEREAS, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date;

NOW, THEREFORE, for and in consideration of the mutual promises, covenants and obligations contained herein, Company and Executive agree as follows:

ARTICLE 1: EMPLOYMENT AND DUTIES

1.1 Employment; Effective Date. Company agrees to employ Executive and Executive agrees to be employed by Company, beginning as of the Effective Date and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement.

1.2 Positions. From and after the Effective Date until the close of business on the last date that Gordon M. Bethune serves as Chairman of the Board and Chief Executive Officer of the Company (the "Retirement Date"), which Retirement Date shall be no later than December 30, 2004, Company shall employ Executive in the positions of President and Chief Operating Officer (or in such other positions as the parties mutually may agree). From and after the date immediately following the Retirement Date, Company shall employ Executive in the positions of Chairman of the Board and Chief Executive Officer of Company, or in such other positions as the parties mutually may agree. Company shall, for the full term of Executive's employment hereunder, cause Executive to be nominated for election as a director of Company and use its best efforts to secure such election.

1.3 Duties and Services. Executive agrees to serve in the positions referred to in paragraph 1.2 and, if elected, as a director of Company and to perform diligently and to the best of his abilities the duties and services appertaining to such offices as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such offices which the parties mutually may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for a five-year period beginning on the Effective Date. Said term of employment shall be extended automatically for an additional successive five-year period as of the fifth anniversary of the Effective Date and as of the last day of each successive five-year period of time thereafter that this Agreement is in effect; provided, however, that if, prior to the date which is six months before the last day of any such five-year term of employment, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the five-year term of employment during which such notice is given.

2.2 Company's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Company, acting pursuant to an express resolution of the Board of Directors of Company (the "Board of Directors"), shall have the right to terminate Executive's employment under this Agreement at any time for any of the following reasons:

(i) upon Executive's death;

(ii) upon Executive's becoming incapacitated for a period of at least 180 days by accident, sickness or other circumstance which renders him mentally or physically incapable of performing the material duties and services required of him hereunder on a full-time basis during such period;

(iii) if, in carrying out his duties hereunder, Executive engages in conduct that constitutes willful gross neglect or willful gross misconduct resulting in material economic harm to Company;

(iv) upon the conviction of Executive for a felony or any crime involving moral turpitude; or

(v) for any other reason whatsoever, in the sole discretion of the Board of Directors.

2.3 Executive's Right to Terminate. Notwithstanding the provisions of paragraph 2.1, Executive shall have the right to terminate his employment under this Agreement at any time for any of the following reasons:

(i) the assignment to Executive by the Board of Directors or other officers or representatives of Company of duties materially inconsistent with the duties associated with the positions described in paragraph 1.2 as such duties are constituted as of the Effective Date, or the failure to elect or reelect Executive to any of the positions described in paragraph 1.2 or the removal of him from any such positions;

(ii) a material diminution in the nature or scope of Executive's authority, responsibilities, or titles from those applicable to him as of the Effective Date, including a change in the reporting structure so that Executive reports to someone other than the Board of Directors;

(iii) the occurrence of acts or conduct on the part of Company, its Board of Directors, or its officers, representatives or stockholders which prevent Executive from, or substantively hinder Executive in, performing his duties or responsibilities pursuant to this Agreement;

(iv) Company requiring Executive to be permanently based anywhere outside a major urban center in Texas;

(v) the taking of any action by Company that would materially adversely affect the corporate amenities enjoyed by Executive on the Effective Date;

(vi) a material breach by Company of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Executive to Company, it being agreed that any reduction in (a) Executive's then current annual base salary, or (b) Executive's annual cash bonus opportunity as a percentage of such base salary from that percentage in effect on the Effective Date (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals), or (c) Executive's long-term incentive compensation opportunity as compared to that opportunity in effect on the Effective Date (i.e., annual long-term compensation awards in amounts that have compensation potential at least as great as that in effect on the Effective Date, and subsequently taking into account grant size applicable to Executive in his capacity as Chairman of the Board and Chief Executive Officer), shall in each case constitute a material breach by Company of this Agreement; or

(vii) for any other reason whatsoever, in the sole discretion of Executive.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or he shall do so by giving written notice to the other party that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$950,000 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Program and Long Term Incentive Program. (a) **Cash Bonus Programs.** Executive shall participate in each cash bonus program maintained by Company on and after the Effective Date (including, without limitation, any such program maintained for the year during which the Effective Date occurs) at a level which is not less than the highest participation level made available to any Company executive (other than, with respect to fiscal year 2004 only, Company's Chairman of the Board and Chief Executive Officer in office immediately prior to the Retirement Date); provided that Company shall at all times maintain Executive's annual cash bonus opportunity as a percentage of his annual base salary in an amount that is at least as great as that in effect on the Effective Date (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals).

(b) **Long-Term Incentive Programs.** Executive shall participate in each long-term incentive program maintained by Company on and after the Effective Date (including, without limitation, any such program maintained for the year during

which the Effective Date occurs) at a level which is not less than the highest participation level made available to any Company executive (other than, with respect to grants or awards made in fiscal year 2004 only, Company's Chairman of the Board and Chief Executive Officer in office immediately prior to the Retirement Date); provided that Company shall at all times maintain Executive's long-term incentive compensation opportunity in an amount that is at least as great as that in effect on the Effective Date (i.e., annual long-term compensation awards in amounts that have compensation potential at least as great as that in effect on the Effective Date, and subsequently taking into account grant size applicable to Executive in his capacity as Chairman of the Board and Chief Executive Officer).

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.7). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment, and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries an amount equal to the sum of (1) the difference between the Termination Payment and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

3.4 Vacation and Sick Leave. During each year of his employment, Executive shall be entitled to vacation and sick leave benefits equal to the maximum available to any Company executive, determined without regard to the period of service that might otherwise be necessary to entitle Executive to such vacation or sick leave under standard Company policy.

3.5 Supplemental Executive Retirement Plan.

(i) **Base Benefit.** Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 30 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional two years of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2000 and ending on December 31, 2004, and (3) if the Termination Payment becomes payable to Executive under this Agreement or if Executive's employment is terminated for a reason encompassed by paragraphs 2.2(i) or 2.2(ii), that number of additional years of service as is equal to (X) 18 years minus (Y) three times the number of full calendar years which have occurred during the period beginning January 1, 2000 and ending on the earlier of (i) the date that the Termination Payment under this Agreement first becomes payable to Executive or (ii) December 31, 2004. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$950,000 or (B) the average of the five highest annual cash compensation amounts paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment at retirement or otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company), but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, (iii) any Termination Payment paid to Executive under this Agreement, (iv) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (v) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company (including RSUs awarded under Company's Long Term Incentive and RSU Program), (vi) any cash bonus paid under a long term incentive plan or program adopted by Company, and (vii) the amount paid to Executive pursuant to subparagraph 3.8(d) hereof. Executive shall be vested immediately with respect to benefits due under the Plan.

(ii) **Offset for CARP or Other Benefit.** Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of an annual straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be

actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

(iii) **Normal and Early Retirement Benefits.** Executive's benefit under the Plan shall be payable in equal monthly installments beginning on the first day of the month following the Retirement Date (the "Normal Retirement Benefit") or, at Executive's written election made not less than 15 days prior to the Retirement Date, in a lump-sum on the first day of such month in an amount equal to the Lump-Sum Payment less 10% of such sum (provided, however, that the HR Committee may, in its sole and absolute discretion, waive all or any part of such 10% reduction). For purposes hereof, "Retirement Date" is defined as the later of (a) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (b) the date of Executive's retirement from employment with Company. Notwithstanding the foregoing, if Executive's employment with Company is terminated, for a reason other than death, on or after the date Executive attains age 55 or is credited with 10 Actual Years of Service and prior to the Retirement Date, then Executive shall be entitled to elect to receive the Lump-Sum Payment or commence to receive Executive's monthly installment benefit under the Plan, in either case as of the first day of any month coinciding with or next following Executive's termination of employment, or as the first day of any subsequent month preceding the Retirement Date (an "Early Retirement Benefit"); provided, however, that (1) written notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the monthly installment benefit (or the date of payment, in the case of a Lump-Sum Payment), (2) each monthly installment payment under an Early Retirement Benefit, or the amount of the Lump-Sum Payment, as the case may be, shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined without regard to clause (3) of this proviso) to be the actuarial equivalent of the value of the Normal Retirement Benefit (in each case based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for the actual time and form of payments), and (3) each monthly installment payment under an Early Retirement Benefit that is made prior to the Retirement Date, or the Lump-Sum Payment, as the case may be, shall be reduced by an additional 10% of the amount of such payment as initially determined pursuant to clause (2) of this proviso. The HR Committee may, in its sole and absolute discretion, waive all or any part of the reductions contemplated in clauses (2) and/or (3) of the proviso of the preceding sentence. As used herein, "Lump-Sum Payment" shall mean the lump-sum actuarial equivalent of the value of the Normal Retirement Benefit, based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for the actual time of payment.

(iv) **Form of Retirement Benefit.** If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive (unless Executive elects a Lump-Sum Payment, in which case benefits under the Plan will be paid in cash in a lump-sum). If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive (unless Executive has elected a Lump-Sum Payment), at the written election of Executive made at least 15 days prior to the first payment of benefits under the Plan, in either (1) the form of a single life annuity for the life of Executive, or (2) the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes. If Executive fails to make such election and does not make an election to receive a Lump-Sum Payment, Executive will be deemed to have elected a joint and survivor annuity.

(v) **Death Benefit.** Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive, at such spouse's written election made within 90 days after Executive's death, either (A) a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, elected a joint and survivor annuity and began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive elected a joint and survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death, or (B) a Spousal Lump-Sum Payment less 10% of such sum (provided, however, that the HR Committee may, in its sole and absolute discretion, waive all or any part of such 10% reduction), which shall be paid as a lump-sum in cash on the date that the first payment of the single life annuity described in clause (A) of this sentence would have been paid if the surviving spouse had elected to receive such single life annuity. As used herein, "Spousal Lump-Sum Payment" shall mean the lump-sum actuarial equivalent of the value of the single life annuity described in clause (A) of the foregoing sentence, based on the actuarial assumptions set forth in paragraph 3.5(vi) and adjusted for the actual time of payment. Payment of such survivor annuity, if so elected, shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to receive the Spousal Lump-Sum Payment or commence to receive such survivor annuity as of the first

day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit or payment of the Spousal Lump-Sum Payment, as the case may be, and each payment of such survivor annuity, or the amount of the Spousal Lump-Sum Payment, as the case may be, shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii). If such surviving spouse fails to make an election to receive a Spousal Lump-Sum Payment, the surviving spouse will be deemed to have elected to receive the survivor annuity.

(vi) **Unfunded Benefit.** The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Internal Revenue Code of 1986, as amended, and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that he must rely upon the general credit of Company for payment of benefits under the Plan. Company shall establish a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) **Actuarial Equivalent.** For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP; provided, however, that with respect to the discount rate used to calculate a Lump-Sum Payment or a Spousal Lump-Sum Payment, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date of the applicable election to receive a Lump-Sum Payment or a Spousal Lump-Sum Payment, as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable annuity, Lump-Sum Payment or Spousal Lump-Sum Payment for Executive (or, in the case of Executive's death, his spouse) and shall deliver such information to Executive or such spouse.

(viii) **Medicare Payroll Taxes.** Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan.

3.6 Additional Disability Benefit. If Executive shall begin to receive long-term disability insurance benefits pursuant to a plan maintained by Company and if such benefits cease prior to Executive's attainment of age 65 and while Executive remains disabled, then Company shall immediately pay Executive upon the cessation of such benefits a lump-sum, cash payment in an amount equal to the Termination Payment. If Executive receives payment of a Termination Payment pursuant to the provisions of Article 4, then the provisions of this paragraph 3.6 shall terminate. If Executive shall be disabled at the time his employment with Company terminates and if Executive shall not be entitled to the payment of a Termination Payment pursuant to the provisions of Article 4 upon such termination, then Executive's right to receive the payment upon the occurrence of the circumstances described in this paragraph 3.6 shall be deemed to have accrued as of the date of such termination and shall survive the termination of this Agreement.

3.7 Other Perquisites. During his employment hereunder, Executive shall be afforded the following benefits as incidences of his employment:

(i) **Automobile** - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on the same terms as its current practices relating to the choice and use of automobiles by its Chief Executive Officer. If the automobile is leased, Company agrees to take such actions as may be necessary to permit Executive, at his option, to acquire title to any automobile subject to such a lease at the completion of the lease term by Executive paying the residual payment then owing under the lease. If Executive's employment terminates (other than as a result of the reasons encompassed by paragraphs 2.2 (iii) or (iv)), then Company (1) if the automobile is leased, will continue to make all payments under the lease and permit Executive (or Executive's estate, as applicable) to use the automobile during the remainder of such lease and will, at the conclusion of the lease, cause the title to the automobile to be transferred to Executive (or Executive's estate) without cost to Executive (or Executive's estate), or (2) if the automobile is owned by Company, transfer title to the automobile to Executive (or Executive's estate, as applicable), without cost to Executive (or Executive's estate).

(ii) **Business and Entertainment Expenses** - Subject to Company's standard policies and procedures with respect to expense reimbursement as applied to its executive employees generally, Company shall reimburse Executive for, or pay on behalf of Executive, reasonable and appropriate expenses incurred by Executive for business related purposes, including dues and fees to industry and professional organizations, costs of entertainment and business development, and costs reasonably incurred as a result of Executive's spouse accompanying Executive on business travel. Company shall also pay on behalf of Executive the expenses of one athletic club selected by Executive.

(iii) **Parking** - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice.

(iv) **Other Company Benefits** - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly-situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without his consent.

3.8 Covenant Not to Compete and Related Matters. (a) Company shall, during the term of this Agreement, disclose or entrust Company trade secrets or confidential information to Executive, shall provide Executive the opportunity to develop Company's business good will, or shall disclose or entrust Company's business opportunities to Executive.

- a. In consideration for the payment referred to in subparagraph (d) below to be paid to Executive hereunder, and in keeping with Executive's duties as a fiduciary, and to protect the trade secrets and confidential information of Company that have been or will be disclosed to Executive, the business good will of Company that has been or will be developed in Executive, or the business opportunities that have been or will be disclosed or entrusted to Executive by Company, Company and Executive agree to the non-competition provisions of this subparagraph (b). Executive agrees that during the period of Executive's non-competition obligations hereunder, Executive will not, directly or indirectly for Executive or others, in any State, territory or protectorate of the United States in which Company is qualified to do business or in any foreign country in which Company has an office, station or branch as of the date of termination of Executive's employment with the Company, engage in an executive, advisory or consulting capacity for any passenger air carrier; provided, however, that Executive shall not be restricted, after his termination of employment with Company, from being employed by, or advising or consulting to, a business engaged in providing advice or consulting services to a broad range of companies, including passenger air carriers, as long as Executive, during the period of Executive's non-competition obligations hereunder, does not involve himself in the rendering of executive, advisory or consulting services to any passenger air carrier. Executive may obtain upon written request to Company a list of locations where his post-termination business activities are so limited.
- b. The non-competition obligations described in subparagraph (b) above shall survive the termination of this Agreement and extend from the date of Executive's termination of employment with Company through the date that is 24 months after such termination of employment; provided, however, that such non-competition obligations shall terminate and be inapplicable if Executive's employment with the Company is terminated (A) by Company pursuant to subparagraph 2.2 (ii) or 2.2(v), (B) by Executive pursuant to subparagraphs 2.3(i), (ii), (iii), (iv), (v), or (vi).
- c. In consideration for Executive's agreement set forth in this paragraph 3.8, Company shall pay to Executive in cash, upon the date of execution of this Agreement, the sum of \$2,850,000.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of his employment, except that (A) the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, and Company shall perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.7(i) and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (ii) cause all Awards made to Executive under Company's Officer Retention and Incentive Award Program ("Retention Program") to vest immediately upon such termination, (iii) cause Company to pay to Executive, at the same time as other Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive Performance Award Program ("LTIP") and Long Term Incentive and RSU Program ("NLTIP/RSU Program"), as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program, as the case may be, upon the occurrence of a Qualifying Event with respect to Executive in connection with a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards), (iv) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment, (v) provide Executive with Outplacement, Office and Related Services (as such term is defined in paragraph 4.7 and for the time periods described therein), and (vi) pay any amounts owed but unpaid to Executive under any plan, policy or program of Company as of the date of termination at the time provided by, and in accordance with the terms of, such plan, policy or program.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, Executive and his eligible dependents shall be provided Continuation Coverage for the remainder of Executive's lifetime, and:

(i) if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall provide Executive with the payments and benefits described in clauses (i) through (vi) of paragraph 4.1, and Company shall perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.7(i); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days (or such longer period as provided for under the circumstances in applicable option awards) after such termination, (2) cause all Awards made to Executive under the Retention Program to vest immediately upon such termination, (3) cause Company to pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the LTIP or the NLTIP/RSU Program, as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program upon the occurrence of Executive's death or Disability after a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards), (4) provide Executive (or his designated beneficiary or beneficiaries) with the benefits contemplated under paragraph 3.3 or paragraph 3.6, as applicable, and (5) perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.7(i).

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that the benefits described in paragraph 3.5 shall continue to be payable, Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, Executive and his eligible dependents shall be provided Continuation Coverage for the remainder of Executive's lifetime, Company shall perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.7(i) and, if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (i) through (vi) of paragraph 4.1.

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable,

distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against him or anyone else. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.7 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

4.6 Liquidated Damages. In light of the difficulties in estimating the damages upon termination of this Agreement, Company and Executive hereby agree that the payments and benefits, if any, to be received by Executive pursuant to this Article 4 shall be received by Executive as liquidated damages. Payment of the Termination Payment pursuant to paragraphs 4.1, 4.2 or 4.3 shall be in lieu of any severance benefit Executive may be entitled to under any severance plan or policy maintained by Company.

4.7 Certain Definitions and Additional Terms. As used herein, the following capitalized terms shall have the meanings assigned below:

(i) "Continuation Coverage" shall mean the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability), at no greater cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment; provided, however, that the coverage to Executive (or the receipt of equivalent benefits) shall be provided under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive (or, if any such reimbursement or payment of benefits is taxable, then Company shall pay to Executive an amount as shall be required to hold Executive harmless from any additional tax liability resulting from the failure by Company to so provide insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive), and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(iii) "Flight Benefits" shall mean flight benefits on each airline operated by the Company or any of its affiliates or any successor or successors thereto (the "CO system"), consisting of the highest priority space available flight passes for Executive and Executive's eligible family members (as such eligibility is in effect on the Effective Date), a Universal Air Travel Plan (UATP) card (or, in the event of discontinuance of the UATP program, a similar charge card permitting the purchase of air travel through direct billing to the Company or any successor or successors thereto (a "Similar Card")) in Executive's name for charging on an annual basis up to the applicable Annual Travel Limit (as hereinafter defined) with respect to such year in value (valued identically to the calculation of imputed income resulting from such flight benefits described below) of flights (in any fare class) on the CO system for Executive, Executive's spouse, Executive's family and significant others as

deterrmined by Executive, lifetime Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names for use on the CO system, lifetime memberships for Executive and Executive's spouse and children (subject to the terms and conditions of membership, including minimum age requirements) in the Company's President's Club (or any successor program maintained in the CO system) and payment by the Company to Executive of an annual amount (not to exceed in any year the Annual Gross Up Limit (as hereinafter defined) with respect to such year) sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from such flights (such imputed income to be calculated during the term of such Flight Benefits consistently with the methodology being used by the Company at the Effective Date or at the lowest published or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

- i. "Outplacement, Office and Related Services" shall mean (1) outplacement services, at Company's cost and for a period of twelve months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors (with such approval not to be unreasonably withheld), (2) appropriate and suitable office space at the Company's headquarters (although not on its executive office floor) or at a comparable location in downtown Houston for use by Executive, together with appropriate and suitable secretarial assistance, at Company's cost and for a period of ten years beginning on the date of Executive's termination of employment, (3) a reserved parking place convenient to the office so provided and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, at Company's cost and for as long as Executive retains a residence in Houston, Texas, and (4) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for Executive's lifetime or a shorter period if such perquisites become unavailable to the Company for use by Executive; and
- ii. "Termination Payment" shall mean an amount equal to three times the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 150% of the amount described in the foregoing clause (1).

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Travel Limit" shall mean an amount (initially \$66,500), which amount shall be adjusted (i) annually (beginning with the year 2004) by multiplying such amount by a fraction, the numerator of which shall be the Company's average fare per revenue passenger for its jet operations (excluding regional jets) with respect to the applicable year as reported in its Annual Report on Form 10-K (or, if not so reported, as determined by the Company's independent auditors) (the "Average Fare") for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 2004, and (iii) after adjustments described in clauses (i) and (ii) above (and after adding thereto, on a one-time basis on the Effective Date of this Agreement, the unused balance of Executive's Annual Travel Limit under his Existing Agreement at the Effective Date), automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for calculation of imputed income resulting from flights used by the Company as of the Effective Date), so as to preserve the benefit of \$66,500 annually (adjusted in accordance with clauses (i) and (ii) above) of flights relative to the valuations resulting from the valuation methodology used by the Company as of the Effective Date (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of the Effective Date, then the Annual Travel Limit would be increased by 15% to \$76,475, assuming no other adjustments pursuant to clauses (i) and (ii) above and ignoring for this example the unused balance of Executive's Annual Travel Limit under his Existing Agreement at the Effective Date). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Travel Limit described in this paragraph.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Gross Up Limit" shall mean an amount (initially \$13,300), which amount shall be adjusted (i) annually (beginning with the year 2004) by multiplying such amount by a fraction, the numerator of which shall be the Average Fare for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 2004, and (iii) after adjustments described in clauses (i) and (ii) above (and after adding thereto, on a one-time basis on the Effective Date of this Agreement, the unused balance of Executive's Annual Gross Up Limit under his Existing Agreement at the Effective

Date), automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for calculation of imputed income resulting from flights used by the Company as of the Effective Date), so as to preserve the benefit of \$13,300 annually (adjusted in accordance with clauses (i) and (ii) above) of tax gross up relative to the valuations resulting from the valuation methodology used by the Company as of the Effective Date (e.g., if a change in the valuation methodology results, on average, in flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of the Effective Date, then the Annual Gross Up Limit would be increased by 15% to \$15,295, assuming no other adjustments pursuant to clauses (i) and (ii) above and ignoring for this example the unused balance of Executive's Annual Gross Up Limit under his Existing Agreement at the Effective Date). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Gross Up Limit described in this paragraph.

As used for purposes of Flight Benefits, a year may consist of twelve consecutive months other than a calendar year, it being the Company's practice as of the Effective Date for purposes of Flight Benefits for a year to commence on November 1 and end on the following October 31 (for example, the twelve-month period from November 1, 2003 to October 31, 2004 is considered the year 2004 for purposes of Flight Benefits); provided that all calculations for purposes of clause (i) in the prior two paragraphs shall be with respect to fiscal years of the Company.

As used for purposes of Flight Benefits, the term "affiliates" of the Company means any entity controlled by, controlling, or under common control with the Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity.

No tickets issued on the CO system in connection with the Flight Benefits may be purchased other than directly from the Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued. Executive agrees that, after receipt of an invoice or other accounting statement therefor, he will promptly (and in any event within 45 days after receipt of such invoice or other accounting statement) reimburse the Company for all charges on his UATP card (or Similar Card) which are not for flights on the CO system and which are not otherwise reimbursable to Executive under the provisions of paragraph 3.7(ii) hereof, or which are for tickets in excess of the applicable Annual Travel Limit. Executive agrees that the credit availability under Executive's UATP card (or Similar Card) may be suspended if Executive does not timely reimburse the Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit with respect to a year; provided, that, immediately upon the Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit, beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card (or Similar Card) will be restored.

The sole cost to Executive of flights on the CO system pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO system charged on Executive's UATP card (or Similar Card), calculated throughout the term of Executive's Flight Benefits consistently with the methodology being used by the Company as of the Effective Date or at the lowest published or unpublished fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period for which the Company is obligated to provide the tax gross up described above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be paid to Executive.

Executive will be issued a UATP card (or Similar Card), lifetime Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's, Executive spouse's and Executive's children's names, lifetime membership cards in the Company's Presidents Club (or any successor program maintained in the CO system) for Executive, Executive's spouse and Executive's children (subject to the terms and conditions of membership, including minimum age requirements), and an appropriate flight pass identification card, each valid at all times during the term of Executive's Flight Benefits.

Executive agrees that his Flight Benefits are intended to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of the Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (or any Similar Card) during any year), and that credit availability on Executive's UATP card (or any Similar Card) may be suspended if Executive's UATP card (or any Similar Card) is used for business purposes other than as described above and, after receiving written notice from the Company to cease such usage, Executive continues to use his UATP card (or any Similar Card) for such business purposes.

Upon Executive's death, his surviving spouse and children will be permitted, in the aggregate, to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Flight Benefits on the CO system (out of any amounts unused by Executive at the date of his death) for up to a total amount of the unused balance of Executive's Annual Travel Limit at the date of his death (which unused balance, and the unused balance of Executive's Annual Gross Up Limit, shall be fixed at the date of Executive's

death and shall not be adjusted except as provided below in this paragraph) in value of flights (in any fare class) on the CO system, valued identically to the valuation of flights for purposes of Flight Benefits as described in this Agreement, which unused balance of Executive's Annual Travel Limit (and unused Annual Gross Up Limit) at the date of his death shall adjust automatically upon any change in the valuation methodology, from and after the date of Executive's death, for imputed income from flights (as compared with the valuation methodology for calculation of imputed income resulting from flights used by the Company as of the date of Executive's death), so as to preserve the benefit of such unused balance of Executive's Annual Travel Limit (and unused Annual Gross Up Limit) relative to the valuations resulting from the valuation methodology used by the Company as of the date of Executive's death (e.g., if a change in the valuation methodology results, on average, in such flights being valued 10% higher than the valuation that would result using the valuation methodology used by the Company as of the date of Executive's death, then the then-unused Annual Travel Limit (and then-unused Annual Gross Up Limit) would be increased by 10%). Upon their request, the Company will promptly notify each of Executive's surviving spouse and children in writing of the amount of the unused balance of Executive's Annual Travel Limit (and the unused balance of Executive's Annual Gross Up Limit) at the date of his death and of any subsequent adjustment thereto. All restrictions, duties and obligations of Executive, and all rights of the Company, relating to Executive's usage of his Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children. In connection therewith, after the death of Executive, each of Executive's surviving spouse and children will be issued a UATP card (or Similar Card), subject to the limitations of usage thereof described herein.

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for his reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to him should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence.

5.2 Notices. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Company to : Continental Airlines, Inc.

1600 Smith, Dept. HQSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive to : Mr. Lawrence W. Kellner

10915 Pifer Way

Houston, Texas 77024

or to such other address as either party may furnish to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

5.3 Applicable Law. This contract is entered into under, and shall be governed for all purposes by, the laws of the State of Texas.

5.4 No Waiver. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5.5 Severability. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

5.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

5.7 Withholding of Taxes and Other Employee Deductions. Company may withhold from any benefits and payments made pursuant to this Agreement all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

5.8 Headings. The paragraph headings have been inserted for purposes of convenience and shall not be used for interpretive purposes.

5.9 Gender and Plurals. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

5.10 Successors. This Agreement shall be binding upon and inure to the benefit of Company and any successor of the Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Company by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Except as provided in the preceding sentence or in paragraph 3.3 (regarding assignment of life insurance benefits), this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. The parties intend that the provisions of this Agreement benefiting Executive's estate or his surviving spouse and children shall be enforceable by them.

5.11 Term. This Agreement has a term co-extensive with the term of employment as set forth in paragraph 2.1. Termination shall not affect any right or obligation of any party which is accrued or vested prior to or upon such termination.

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.7(iv) and any awards under the Company's stock incentive plans or programs, LTIP, Retention Program, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, (ii) that certain Compensation Cap Agreement dated as of May 19, 2003, between the Company and Executive, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

13. Deemed Resignations. Any termination of Executive's employment shall constitute an automatic resignation of Executive as an officer of Company and each affiliate of Company, and an automatic resignation of Executive from the Board of Directors and from the board of directors of any affiliate of Company, and from the board of directors or similar governing body of any corporation, limited liability company or other entity in which Company or any affiliate holds an equity interest and with respect to which board or similar governing body Executive serves as Company's or such affiliate's designee or other representative.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and to be effective as of the Effective Date.

CONTINENTAL AIRLINES, INC.

By: /s/ Michael H. Campbell

Name: Michael H. Campbell

Title: Senior Vice President -

Human Resources and

Labor Relations

"EXECUTIVE"

/s/ Lawrence W. Kellner

LAWRENCE W. KELLNER

APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

CONTINENTAL AIRLINES, INC.

1600 SMITH ST.

HOUSTON, TEXAS 77002

March 12, 2004

Mr. Jeffery A. Smisek

Executive Vice President

Continental Airlines, Inc.

1600 Smith St., Dept. HQSEO

Houston, TX 77002

Dear Mr. Smisek:

The purpose of this letter agreement is to amend your employment agreement with Continental Airlines, Inc. (the "Company") to take into account the March 12, 2004 amendment to the definition of "Change in Control" in the Company's various employee benefit plans and programs, including the Incentive Plan 2000 and the Long Term Incentive Performance Award Program. The definition of Change in Control was amended to delete references to certain Excluded Persons and to update those individuals who comprise the Incumbent Board, all as such terms are used in the Change in Control definition. The Company has provided you a copy of the amended Change in Control definition.

You and the Company agree that your current employment agreement is amended so that all references therein to "Change in Control" refer to such amended "Change in Control" definition.

If you agree with the foregoing, please sign the enclosed copy of this letter agreement and return the enclosed copy to me, whereby this letter agreement shall be a binding agreement between you and the Company and shall amend your current employment agreement accordingly.

Sincerely,

/s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ Jeffery A. Smisek _____

Jeffery A. Smisek

WAIVER AGREEMENT

This Waiver Agreement (this "Agreement") is entered into as of March 12, 2004 between Jeffery A. Smisek ("Executive") and Continental Airlines, Inc., a Delaware corporation ("Company"), and is effective as of January 1, 2004.

Recitals

Company and Executive are parties to that certain Employment Agreement, dated as of July 25, 2000, as amended by letter agreement dated as of April 9, 2002 (as so amended, the "Employment Agreement");

Section 3.2(a) of the Employment Agreement provides that the Company shall at all times provide Executive with a specified annual cash bonus opportunity;

The Human Resources Committee of the Board of Directors of the Company has determined that, with respect to fiscal year 2004, no awards under the Company's Executive Bonus Performance Award Program will be made, which constitutes a material breach of the Employment Agreement pursuant to Section 2.3(vi);

In accordance with the terms of this Agreement, Executive has agreed to waive enforcement against the Company of the Company's obligation to provide him the specified annual cash bonus opportunity with respect to fiscal year 2004 only; and

In connection therewith, Company desires to enter into this Agreement with Executive, and Executive has consented to entering into this Agreement, in order to formalize Executive's waiver.

NOW THEREFORE, in consideration of the foregoing, Company and Executive agree as follows:

1. Executive acknowledges that the Human Resources Committee of the Company has determined that the Company will not provide to any participant, including him, an award with respect to fiscal year 2004 under Company's Executive Bonus Performance Award Program and, as of the date of this Agreement, has not adopted any alternative bonus program that would provide Executive with the annual cash bonus opportunity described in Section 3.2(a) of the Employment Agreement.

2. Executive hereby agrees irrevocably to waive (i) enforcement against the Company of the Company's obligation to provide him the specified annual cash bonus opportunity described in Section 3.2(a) of the Employment Agreement, and (ii) the breach of the Employment Agreement, as referenced in Section 2.3(vi) thereof, caused by such failure to grant the award described in paragraph 1 above without providing the Executive with an alternative annual cash bonus opportunity meeting the requirements described in Section 3.2(a) of the Employment Agreement; provided, however, that in each case such waiver shall be with respect to the Company's failure to provide Executive with the specified cash bonus opportunity for fiscal year 2004 only. Such waiver shall apply only to the circumstances described in paragraph 1 above and only with respect to fiscal year 2004, and shall not constitute a waiver of any other circumstance, including any future failure to make awards or provide the specified cash bonus opportunity to Executive with respect to other fiscal years.

3. The parties agree that this Agreement constitutes the entire agreement between the parties with respect to the waiver described herein, and supersedes any other prior agreement, written or oral, between the parties with respect thereto. This Agreement is governed by the laws of the State of Texas, may not be amended or waived except in a writing signed by both parties hereto, and shall be binding on the parties' respective successors, assigns, heirs, executors or administrators.

IN WITNESS WHEREOF, the parties, thereunto duly authorized, have executed this Agreement as of the date first above mentioned.

CONTINENTAL AIRLINES, INC.

By: /s/ Michael Campbell

Michael Campbell

Senior Vice President - Human
Resources and Labor Relations

EXECUTIVE

**AMENDMENT TO
EMPLOYMENT AGREEMENT**

THIS AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is entered into by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Jeffery A. Smisek ("Executive") as of April 14, 2004.

WHEREAS, Company and Executive have heretofore entered into that certain Employment Agreement dated as of July 25, 2000, as amended by letter agreements dated April 9, 2002, January 1, 2004, and March 12, 2004 (as so amended, the "Employment Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors of Company has adopted a new Annual Executive Bonus Program and a new Long Term Incentive and RSU Program; and

WHEREAS, Company and Executive desire to amend the Employment Agreement in certain respects in recognition of the adoption of such new programs;

NOW, THEREFORE, in consideration of the premises set forth above and the mutual agreements set forth herein, Company and Executive hereby agree, effective as of the date first set forth above, that the Employment Agreement shall be amended as hereafter provided:

1. Clause (vi) of paragraph 2.3 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(vi) a material breach by Company of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Executive to Company, it being agreed that any reduction in (a) Executive's then current annual base salary, or (b) Executive's annual cash bonus opportunity as a percentage of such base salary from that percentage in effect on April 9, 2004 (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals), shall in each case constitute a material breach by Company of this Agreement; or"

2. Subparagraph (a) of paragraph 3.2 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(a) Cash Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after April 9, 2004 (including, without limitation, any such program maintained for 2004) at a level which is not less than the highest participation level made available to any Company executive (other than Company's Chief Executive Officer and Company's President); provided that Company shall at all times maintain Executive's annual cash bonus opportunity as a percentage of his annual base salary in an amount that is at least as great as that in effect on April 9, 2004 (i.e., an annual cash bonus opportunity of 0%, if entry level goal is not met, and if entry level goal is met, between 50% and 150% of annual base salary, depending on achievement of entry, target and stretch goals)."

3. Clause (iii) of paragraph 4.1(B) of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(iii) cause Company to pay to Executive, at the same time as other Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive Performance Award Program ("LTIP") and Long Term Incentive and RSU Program ("NLTIP/RSU Program"), as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program, as the case may be, upon the occurrence of a Qualifying Event with respect to Executive in connection with a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards),"

4. Clause (3) of paragraph 4.2(ii) of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"(3) cause Company to pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the LTIP or the NLTIP/RSU Program, as the case may be, all Payment Amounts with respect to Awards made to Executive under the LTIP or the NLTIP/RSU Program having a Performance Period that has not been completed as of the date of Executive's termination, as if Executive had remained employed by Company in his current position through the end of each such

Performance Period (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), less any amounts paid to Executive under the LTIP or the NLTIP/RSU Program upon the occurrence of Executive's death or Disability after a Change in Control (such capitalized terms to have the meanings ascribed thereto in the LTIP or in the NLTIP/RSU Program, as may be applicable to the relevant Awards),"

5. Paragraph 5.12 of the Employment Agreement shall be deleted and the following shall be substituted therefor:

"5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.7(iv) and any awards under the Company's stock incentive plans or programs, LTIP, Retention Program, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, and (ii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement (as amended through April 14, 2004), will, as of April 14, 2004, constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged."

6. This Amendment (a) shall supersede any prior agreement between Company and Executive relating to the subject matter of this Amendment and (b) shall be binding upon and inure to the benefit of the parties hereto and any successors to Company and all persons lawfully claiming under Executive.

7. Except as expressly modified by this Amendment, the terms of the Employment Agreement shall remain in full force and effect and are hereby confirmed and ratified.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first set forth above.

"COMPANY"

CONTINENTAL AIRLINES, INC

By: /s/ Michael H. Campbell

Name: Michael H. Campbell

Title: Senior Vice President -

Human Resources and

Labor Relations

"EXECUTIVE"

/s/ Jeffery A. Smisek

JEFFERY A. SMISEK

APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

CONTINENTAL AIRLINES, INC.

1600 SMITH ST.

HOUSTON, TEXAS 77002

March 12, 2004

Mr. Michael H. Campbell

Senior Vice President - Human Resources and Labor Relations

Continental Airlines, Inc.

1600 Smith St., Dept. HQSEO

Houston, TX 77002

Dear Mr. Campbell:

The purpose of this letter agreement is to amend your employment agreement with Continental Airlines, Inc. (the "Company") to take into account the March 12, 2004 amendment to the definition of "Change in Control" in the Company's various employee benefit plans and programs, including the Incentive Plan 2000 and the Long Term Incentive Performance Award Program. The definition of Change in Control was amended to delete references to certain Excluded Persons and to update those individuals who comprise the Incumbent Board, all as such terms are used in the Change in Control definition. The Company has provided you a copy of the amended Change in Control definition.

You and the Company agree that your current employment agreement is amended so that all references therein to "Change in Control" refer to such amended "Change in Control" definition.

If you agree with the foregoing, please sign the enclosed copy of this letter agreement and return the enclosed copy to me, whereby this letter agreement shall be a binding agreement between you and the Company and shall amend your current employment agreement accordingly.

Sincerely,

/s/ Jeffery A. Smisek

Jeffery A. Smisek

Executive Vice President

Agreed:

/s/ Michael H. Campbell

Michael H. Campbell

CONTINENTAL AIRLINES, INC.

1600 SMITH ST.

HOUSTON, TEXAS 77002

March 12, 2004

Mr. J. David Grizzle

Senior Vice President - Corporate Development

Continental Airlines, Inc.

1600 Smith St., Dept. HQSCD

Houston, TX 77002

Dear Mr. Grizzle:

The purpose of this letter agreement is to amend your employment agreement with Continental Airlines, Inc. (the "Company") to take into account the March 12, 2004 amendment to the definition of "Change in Control" in the Company's various employee benefit plans and programs, including the Incentive Plan 2000 and the Long Term Incentive Performance Award Program. The definition of Change in Control was amended to delete references to certain Excluded Persons and to update those individuals who comprise the Incumbent Board, all as such terms are used in the Change in Control definition. The Company has provided you a copy of the amended Change in Control definition.

You and the Company agree that your current employment agreement is amended so that all references therein to "Change in Control" refer to such amended "Change in Control" definition.

If you agree with the foregoing, please sign the enclosed copy of this letter agreement and return the enclosed copy to me, whereby this letter agreement shall be a binding agreement between you and the Company and shall amend your current employment agreement accordingly.

Sincerely,

/s/ Michael H. Campbell

Michael H. Campbell

Senior Vice President - Human

Resources and Labor Relations

Agreed:

/s/ J. David Grizzle _____

J. David Grizzle

CERTIFICATION

I, Gordon M. Bethune, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2004

/s/ Gordon M. Bethune

Gordon M. Bethune

Chairman of the Board and

Chief Executive Officer

CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2004

/s/ Jeffrey J. Misner

Jeffrey J. Misner

Senior Vice President and

Chief Financial Officer

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Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of The Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Continental Airlines, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Continental Airlines, Inc. and will be retained by Continental Airlines, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Dated: April 15, 2004

/s/ Gordon M. Bethune

Gordon M. Bethune

Chairman of the Board and

Chief Executive Officer

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Senior Vice President and

Chief Financial Officer

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