

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
January 16, 2002

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

Delaware  
(State or other jurisdiction  
of incorporation)

0-09781  
(Commission File Number)

74-2099724  
(IRS Employer  
Identification No.)

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

77002  
(Zip Code)

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

Item 5. Other Events.

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Notes Offering

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On January 16, 2002, Continental Airlines, Inc., a Delaware corporation (the "Company"), entered into an Underwriting Agreement, filed herewith as Exhibit 1.1 and incorporated herein by reference, with the underwriters named therein with respect to the issue and sale by the Company (the "Offering") of up to \$201,250,000 aggregate principal amount of 4.50% Convertible Notes due 2007 (the "Notes") (including \$26,250,000 aggregate principal amount of the Notes subject to the underwriters' over-allotment option) in an underwritten public offering. The Notes are convertible into shares of the Company's Class B common stock at the option of holders any time prior to maturity (unless previously redeemed or repurchased) at a price of \$40 per share (equal to a conversion rate of 25 shares per \$1,000 principal amount of Notes), subject to adjustment. The Company expects to close the offering in respect of \$175,000,000 aggregate principal amount of the Notes on January 23, 2002.

The Company files herewith those exhibits listed in Item 7(c) below (other than Exhibit 99.1) relating to its Registration Statement on Form S-3 (File No. 333-71906) as filed with the Securities and Exchange Commission on October 19, 2001.

Ratios of Earnings to Fixed Charges

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The ratios of the Company's "earnings" to its "fixed charges" for each of the years 1997 through 2001 were:

YEAR ENDED DECEMBER 31,

2001	2000	1999	1998	1997
(1)	1.51	1.80	1.94	2.07

(1) For the year ended December 31, 2001, earnings were inadequate to cover fixed charges and the coverage deficiency was \$152 million.

The ratios of earnings to fixed charges are based on continuing operations. For purposes of the ratios, "earnings" means the sum of:

- the Company's pre-tax income; and
- the Company's fixed charges, net of interest capitalized.

"Fixed charges" represent:

- the interest the Company pays on borrowed funds;
- the amount the Company amortizes for debt discount, premium and issuance expense and interest previously capitalized; and
- that portion of rentals considered to be representative of the interest factor.

Item 7. Financial Statements and Exhibits.

(c) Exhibits

- 1.1 Underwriting Agreement, dated January 16, 2002, by and among Continental Airlines, Inc., Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
- 4.1 First Supplemental Indenture between Continental Airlines, Inc. and Bank One, N.A., as Trustee, dated as of January 23, 2002.
- 4.2 Form of 4.50% Convertible Note due 2007 (included in Exhibit 4.1 as Exhibit A thereto)
- 12.1 Statement regarding Computation of Ratios of Earnings to Fixed Charges.
- 99.1 Capitalization Table.

SIGNATURE

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

CONTINENTAL AIRLINES, INC.

By: /s/ JENNIFER L. VOGEL

Jennifer L. Vogel  
Vice President and General Counsel

EXHIBIT INDEX

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- 99.1 Capitalization Table.

Continental Airlines, Inc.  
4.50% Convertible Notes due 2007  
Underwriting Agreement

New York, New York  
January 16, 2002

Salomon Smith Barney Inc.  
As Representative of the several Underwriters,  
c/o Salomon Smith Barney Inc.  
388 Greenwich Street  
New York, New York 10013

Ladies and Gentlemen:

Continental Airlines, Inc., a Delaware corporation (the "Company"), confirms its agreement to sell to the several underwriters named in Schedule II hereto (the "Underwriters"), for whom you (the "Representative") are acting as representative, the principal amount of its securities identified in Schedule II hereto (the "Underwritten Securities"), to be issued under an indenture dated as of July 15, 1997, as supplemented by the supplemental indenture dated as of the Closing Date referred to in Section 2(b) hereof (collectively, the "Indenture"), between the Company and Bank One, N.A., as trustee (the "Trustee"). The Company also confirms its agreement to grant to the Underwriters an option to purchase an additional principal amount of securities identified in Schedule II hereof to cover over-allotments (the "Option Securities"; and the Option Securities, together with the Underwritten Securities, being hereinafter called the "Securities").

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-71906) covering the registration of the Securities under the Act, including the related Preliminary Prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A and paragraph (b) of Rule 424 ("Rule 424(b)") For purposes of this Agreement, all references to the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any Preliminary Prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in the Registration Statement, any Preliminary Prospectus or the

Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Exchange Act which is incorporated by reference in the Registration Statement, such Preliminary Prospectus or the Prospectus, as the case may be. Certain terms used herein are defined in Section 18 hereof.

1. Representations and Warranties. The Company, as of the date hereof, as of the Closing Date referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, represents and warrants to, and agrees with, the Representative as set forth below in this Section 1.

(a) The Company meets the requirements for use of Form S-3 under the Act. Each of the Registration Statement and any Rule 462(b)

Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Date (and, if any Option Securities are purchased, at the Date of Delivery), the Registration Statement did or will, and when the Prospectus is first filed (if required) in accordance with Rule 424(b) and on the Closing Date, the Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Act, the Exchange Act and the Trust Indenture Act and the respective rules thereunder; on the Effective Date and at the Execution Time, the Registration Statement did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; on the Effective Date and on the Closing Date the Indenture did or will comply in all material respects with the applicable requirements of the Trust Indenture Act and the rules thereunder; and, on the Effective Date, the Prospectus, if not filed pursuant to Rule 424(b), will not, and on the date of any filing pursuant to Rule 424(b) and on the Closing Date, the Prospectus (together with any supplement thereto) will not, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to (i) that part of the Registration Statement which shall constitute the Statement of Eligibility and Qualification (Form T-1) under the Trust Indenture Act of the Trustee or (ii) the information contained in or omitted from the Registration Statement or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representative specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto).

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Each Preliminary Prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Act, complied when so filed in all material respects with the Act and each Preliminary Prospectus and the Prospectus delivered to the Representative for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(b) The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the Exchange Act, and, when read together with the other information in the Prospectus, at the time the Registration Statement became effective, at the time the Prospectus was issued and at the Closing Date (and if any Option Securities are purchased, at Date of Delivery), did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) Ernst & Young LLP, who have certified certain financial statements of the Company and its consolidated subsidiaries and delivered their report with respect to the audited consolidated financial statements and schedules included in the Prospectus, are independent public accountants with respect to the Company within the meaning of the Act and the applicable published rules and regulations thereunder.

(d) The financial statements included in the Registration

Statement and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements comply as to form with the applicable accounting requirements of the Act and have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement.

(e) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business, properties or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with

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respect to the Company and its subsidiaries taken as a whole, and (C) except for regular dividends on the Common Stock in amounts per share that are consistent with past practice, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(f) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(g) Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any security holder of such Subsidiary. The only subsidiaries of the Company are (a) the subsidiaries listed on Schedule III hereto and (b) certain other subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X.

(h) The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any security holder of the Company.

(i) This Agreement has been duly authorized, executed and delivered by the Company.

(j) The Indenture has been duly authorized, executed and delivered, has been duly qualified under the Trust Indenture Act, and constitutes a legal, valid and binding

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instrument enforceable against the Company in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law); and the Securities have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Underwriters pursuant to this Agreement, will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture.

(k) The Common Stock underlying the Securities (the "Underlying Securities") has been duly authorized and reserved for issuance by the Company upon conversion of the Securities. The Underlying Securities, when issued upon such conversion, shall be validly issued, fully paid and non-assessable and will not be subject to preemptive or other similar rights of any security holder of the Company.

(l) Neither the issue and sale of the Securities nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to (i) the charter or bylaws of the Company or any of its subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other governmental authority having jurisdiction over the Company, any of its subsidiaries or any of either of their properties, except, with respect to clause (ii) or (iii) above, for such conflict, breach, violation or imposition that could not reasonably be expected to have a Material Adverse Effect.

(m) Except as set forth in the Prospectus, neither the Company nor any Subsidiary is in breach, violation or default of (i) any provision of its charter or bylaws, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other governmental authority having jurisdiction over the Company or any Subsidiary or any of either of their properties, as applicable, except, with respect to clause (ii) or (iii) above, for such breach, violation or default that could not reasonably be expected to have a Material Adverse Effect.

(n) No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any

existing or imminent labor disturbance by the employees of the Company or any Subsidiary that, in either case, may reasonably be expected to result in a Material Adverse Effect.

(o) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or its or their property is pending or, to the best knowledge of the Company, threatened that could reasonably be expected to have (i) a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) a Material Adverse Effect, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(p) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein except such as have been obtained under the Act and the Trust Indenture Act and such as may be required under the Act or the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Prospectus.

(q) The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(r) The Company and its subsidiaries have good and marketable title to all material real property owned by the Company and its subsidiaries and good title to all other material properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectus or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases of the Company and its subsidiaries and under which the Company or any of its subsidiaries holds properties described in the Prospectus, are in full force and effect, except where such failure to be in full force and effect would not result in a Material Adverse Effect, and neither the Company nor any subsidiary has any notice of any claim or claims of any sort that singly or in the aggregate would have a

Material Adverse Effect that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(s) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as defined in the Investment Company Act of 1940, as amended.



(t) Except as described in the Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(u) The Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, as amended, holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code, as amended, for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo.

Any certificate signed by any officer of the Company or any of its subsidiaries and delivered to the Representative or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby, to the Underwriter.

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2. Purchase and Sale. (a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company agrees to sell to the Underwriters, and each Underwriter agrees to purchase from the Company, at the purchase price set forth in Schedule I hereto the principal amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule II hereto.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company hereby grants an option to the several Underwriters, severally and not jointly, to purchase Option Securities in aggregate principal amount of up to \$26,250,000 at the same price per Security (plus interest, if any, accrued and unpaid from the Closing Date until the applicable Date of Delivery), as is applicable to the Underwritten Securities. Such option will expire 30 days after the date of this Agreement, and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments that may be made in connection with the offering and distribution of the Underwritten Securities, upon notice by the Representative to the Company setting forth the principal amount of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representative, but shall not be later than seven full business days and not earlier than two full business days after the exercise of said option, nor in any event prior to the Closing Date, as hereinafter defined, unless otherwise agreed upon by the Representative and the Company. The principal amount of the Option Securities to be purchased by each Underwriter shall be the same percentage of the total principal amount of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the

Underwritten Securities, subject to such adjustments as the Representative in its absolute discretion shall make to eliminate any Securities in a principal amount of less than \$1,000.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 2(b) hereof shall have been exercised on or before the third Business Day prior to the Closing Date) shall be made on the date and at the time specified in Schedule I hereto, which date and time may be postponed by agreement between the Representative and the Company (such date and time of delivery and payment for the Underwritten Securities being herein called the "Closing Date"). Delivery of the Underwritten Securities shall be made to the Representative for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representative of the purchase price thereof to or upon the order of the Company by wire transfer payable in same-day funds to an account specified by the Company. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of The Depository Trust Company unless the Representative shall otherwise instruct.

If the option provided for in Section 2(b) hereof is exercised after the third Business Day prior to the Closing Date, the Company will deliver the Option Securities (at the expense of the Company) to the Representative, at 388 Greenwich Street, New York, New York, on the date specified by the Representative (which shall be within three Business Days after exercise of said option) for the respective accounts of the several Underwriters, against payment

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by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company by wire transfer payable in same-day funds to an account specified by the Company. If settlement for the Option Securities occurs after the Closing Date, the Company will deliver to the Representative on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 6 hereof.

4. Offering by Underwriters. It is understood that the Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

5. Agreements. The Company agrees with the Representative that:

(a) The Company, subject to Section 5(b), will comply with the requirements of Rule 430A and will notify the Representative immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of any request by the Commission or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) The Company will give the Representative notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)) or any amendment,

supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, whether pursuant to the Act, the Exchange Act or otherwise, will furnish the Representative with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representative or counsel for the Representative shall object.

(c) The Company has furnished or will, upon request, deliver to the Representative and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated

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or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also, upon request, deliver to each other Underwriter, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits). The copies of the Registration Statement and each amendment thereto furnished to the Representative will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) The Company will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the Act or the Exchange Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) If, at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with the Act or the rules thereunder, the Company promptly will (1) notify the Representative of any such event, (2) prepare and file with the Commission, subject to Section 5(b) hereof, an amendment or supplement which will correct such statement or omission or effect such compliance and (3) supply any supplemented Prospectus to you in such quantities as you may reasonably request.

(f) The Company will arrange, if necessary, for the qualification of the Securities for sale under the laws of such jurisdictions as the Representative may designate and will maintain such qualifications in effect so long as required for the distribution of the Securities; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, or subject itself to taxation in any jurisdiction where it is not now so subject.

(g) As soon as practicable, the Company will make generally available to its security holders and to the Representative an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(h) The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds."

(i) The Company will reserve and keep available at all times, free of preemptive or other similar rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to satisfy any obligations to issue Underlying Securities upon the conversion of Securities.

(j) The Company will use its best efforts to effect the listing of the Underlying Securities on the New York Stock Exchange on or prior to the Closing Date.

(k) During a period of 60 days from the date of the Prospectus, the Company will not, without the prior written consent of Salomon Smith Barney Inc., offer, sell, contract to sell, pledge, or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company) directly or indirectly, including the filing (or participation in the filing) of a registration statement with the Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any debt securities that are convertible into Common Stock or other securities similar to the Securities or Underlying Securities issued or guaranteed by the Company or publicly announce an intention to effect any such transaction. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of the Securities or a security outstanding on the date hereof and referred to in the Prospectus, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to employee benefit plans of the Company or (D) any shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan.

(l) The Company, during the period when the Prospectus is required to be delivered under the Act or the Exchange Act, will file all documents required to be filed with the Commission pursuant to the Exchange Act within the time periods required by the Exchange Act and the Exchange Act Regulations.

(m) Prior to the completion of the distribution of the Securities, the Company will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(n) The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Representative of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of any certificates

for the Securities to the Representative, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Representative, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 5(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of the Prospectus and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Representative of copies of the Blue Sky

Survey and any supplement thereto, (viii) the fees and expenses of the Trustee and any transfer agent or registrar for the Securities and (ix) the fees and expenses incurred in connection with the listing of the Underlying Securities on the New York Stock Exchange.

6. Conditions to the Obligations of the Underwriters. The obligation of the Underwriters to purchase the Underwritten Securities and the Option Securities shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein as of the Execution Time and the Closing Date, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and on the Closing Date no stop order suspending the effectiveness of the Registration Statement shall have been issued under the Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriter. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) At the Closing Date, the Representative shall have received (i) the favorable opinion, dated as of the Closing Date, of Vinson & Elkins L.L.P., counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, to the effect set forth in Exhibit A-1 hereto and to such further effect as counsel to the Representative may reasonably request, and (ii) the favorable opinion, dated as of the Closing Date, of Jennifer L. Vogel, Esq., Vice President, General Counsel and Assistant Secretary of the Company, with responsibility for the legal affairs of the Company and its subsidiaries, to the effect set forth in Exhibit A-2 hereto and to such further effect as counsel to the Representative may reasonably request.

(c) At the Closing Date, the Representative shall have received the favorable opinion, dated as of the Closing Date, of Cleary, Gottlieb, Steen & Hamilton, counsel for the Underwriters, in form and substance reasonably satisfactory to the Representative. In

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giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representative. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(d) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business, properties or results of operations of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business, and the Representative shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(e) At the Closing Date, the Representative shall have received from Ernst & Young LLP a letter, dated as of the Closing Date, in form and substance satisfactory to the Representative containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(f) At the Closing Date, the Underlying Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(g) Subsequent to the Execution Time, there shall not have been any decrease in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act) or any notice given of any intended or potential decrease in any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(h) The Company shall have received, pursuant to Section 3(j) of the Purchase Agreement dated as of November 28, 2001, between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), a written consent from Merrill Lynch to the offering of the Securities.

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(i) In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representative shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Date pursuant to Section 6(d) hereof remains true and correct as of such Date of Delivery.

(ii) Opinions of Counsel for Company. The favorable opinions of Vinson & Elkins L.L.P., counsel for the Company, and Jennifer L. Vogel, Esq., Vice President, General Counsel and Assistant Secretary of the Company, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by Section 6(b) hereof.

(iii) Opinion of Counsel for Underwriter. The favorable opinion of Cleary, Gottlieb, Steen & Hamilton, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery to the effect that they reaffirm the statements made in the letter furnished pursuant to Section 6(c) hereof.

(j) At the Closing Date and at each Date of Delivery, counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representative and counsel for the Underwriters.

(k) If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement,

or, in the case of any condition to the purchase of Option Securities, on a Date of Delivery which is after the Closing Date, the obligation of the Underwriters to purchase the Option Securities, may be terminated by the Representative by notice to the Company at any time at or prior to the Closing Date or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 5(n) and except that

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Sections 1, 8, 9 and 10 shall survive any such termination and remain in full force and effect.

7. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to clause (i) of Section 11 hereof or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally through the Representative on demand for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities. In the event that this Agreement is terminated pursuant to clauses (ii), (iii) or (iv) of Section 11, the Company shall be under no obligation to reimburse the Underwriters for their out-of-pocket expenses as contemplated by this Section 7.

8. Indemnification. (a) The Company agrees to indemnify and hold harmless each Underwriter, and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission provided that any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen in accordance with Section 8(c) below), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

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provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Representative

expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information, if applicable, or any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto).

(b) The Underwriters severally and not jointly agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information or any Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information relating to an Underwriter furnished to the Company by or on behalf of such Underwriter through the Representative expressly for use in the Registration Statement (or any amendment thereto) or such Preliminary Prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 8(b) above, counsel to the indemnified parties shall be selected by the Underwriters (provided, however, that such counsel shall be reasonably satisfactory to such indemnified parties), and, in the case of parties indemnified pursuant to Section 8(a) above, counsel to the indemnified parties shall be selected by the Company (provided, however, that such counsel shall be reasonably satisfactory to such indemnified parties). An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 8 or Section 9 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising

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out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

9. Contribution. If the indemnification provided for in Section 8 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.



The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, as set forth on the cover of the Prospectus.

The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and each Underwriter agrees that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the underwriting discount or commission applicable to the Securities purchased by such Underwriter.

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No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 9, each person, if any, who controls an Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company.

10. Representations and Indemnities to Survive.. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company or any of the officers, directors, employees, agents or controlling persons referred to in Sections 8 or 9 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7, 8 and 9 hereof shall survive the termination or cancellation of this Agreement.

11. Termination of Agreement. The Representative may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Date (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus (exclusive of any supplement thereto), any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business; (ii) if there has occurred any material adverse change in the financial markets in the United States or in the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representative, impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities; (iii) if

trading in any securities of the Company has been suspended or limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority; or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

12. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriter shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set

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forth opposite their names in Schedule II hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule II hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such non-defaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any non-defaulting Underwriter or the Company. In the event of a default by any Underwriter as set forth in this Section 12, the Closing Date shall be postponed for such period, not exceeding five Business Days, as the Representative shall determine in order that the required changes in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and any non-defaulting Underwriter for damages occasioned by its default hereunder.

13. Notices. All communications hereunder shall be in writing and effective only on receipt, and, if sent to the Representative, shall be mailed, delivered or telefaxed to the General Counsel, Salomon Smith Barney Inc. (fax no.: (212) 816-7912) and confirmed to the General Counsel, Salomon Smith Barney Inc., at 388 Greenwich Street, New York, New York, 10013, Attention: General Counsel; and notices to the Company shall be directed to it at 1600 Smith Street, HQSTY, Houston, Texas, 77002, attention of Chief Financial Officer and at 1600 Smith Street, HQSLG, Houston, Texas, 77002, attention of General Counsel.

14. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers, directors, employees, agents and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

15. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

16. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

17. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

18. Definitions. The terms which follow, when used in this Agreement, shall have the meanings indicated.

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City or Houston.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" means the Company's Class B common stock.

"Effective Date" shall mean each date and time that the Registration Statement, any post-effective amendment or amendments thereto and any Rule 462(b) Registration Statement became or become effective.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Execution Time" shall mean the date and time that this Agreement is executed and delivered by the parties hereto.

"Preliminary Prospectus" shall mean any preliminary prospectus included in the Registration Statement at the Effective Date that omits Rule 430A Information.

"Prospectus" shall mean the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) after the Execution Time or, if no filing pursuant to Rule 424(b) is required, shall mean the form of final prospectus relating to the Securities included in the Registration Statement at the Effective Date.

"Registration Statement" shall mean the registration statement referred to in the second paragraph of this Agreement, including exhibits and financial statements, as amended at the Execution Time (or, if not effective at the Execution Time, in the form in which it shall become effective) and, in the event any post-effective amendment thereto or any Rule 462(b) Registration Statement becomes effective prior to the Closing Date, shall also mean such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be. Such term shall include any Rule 430A Information deemed to be included therein at the Effective Date as provided by Rule 430A.

"Rule 424," "Rule 430A" and "Rule 462" refer to such rules under the Act.

"Rule 430A Information" shall mean information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A.

"Rule 462(b) Registration Statement" shall mean a registration statement and any amendments thereto filed pursuant to Rule 462(b) relating to the offering covered by the registration statement referred to in Section 1(a) hereof.

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

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Representative and the Company in accordance with its terms.

Very truly yours,

CONTINENTAL AIRLINES, INC.

By /s/ GERALD LADERMAN

-----  
Name: Gerald Laderman  
Title: Senior Vice President  
Finance and Treasurer

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SALOMON SMITH BARNEY INC.

By: Salomon Smith Barney Inc.

/s/ STEPHEN J. BUJNO

-----  
Name: Stephen J. Bujno  
Title: Managing Director

For itself and the other Underwriter named in Schedule II to the foregoing Agreement.

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SCHEDULE I

Underwriting Agreement dated as of January 16, 2002

Registration Statement No. 333-71906

Representative: Salomon Smith Barney Inc.

Title, Purchase Price and Description of Securities:

Title: 4.50% Convertible Notes due 2007

Principal amount: \$175,000,000

Over-allotment amount: \$26,250,000

Purchase price (plus accrued interest, if any, from January 23, 2002): \$170,187,500

Conversion provisions: Optional conversion by the holder at an initial conversion price of \$40 per share of Common Stock

Redemption provisions: Optional redemption by the Company on or after February 5, 2005

Redemption price (expressed as a percentage of the principal amount):

PERIOD -----	REDEMPTION PRICE -----
February 5, 2005 - January 31, 2006	101.80%
February 1, 2006 - January 31, 2007	100.90%

Sinking provisions: None

Closing Date, Time and Location: January 23, 2002, at 10:00 a.m., at  
Vinson & Elkins L.L.P., 1001 Fannin,  
Suite 2300, Houston, Texas 77002

Type of Offering: Non-delayed

Sch I-1

SCHEDULE II

UNDERWRITERS -----	PRINCIPAL AMOUNT OF UNDERWRITTEN SECURITIES TO BE PURCHASED -----
Salomon Smith Barney Inc.	\$157,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$ 17,500,000
Total .....	\$175,000,000 =====

Sch II-1

SCHEDULE III

List of Subsidiaries

Air Micronesia, Inc.  
Continental Micronesia, Inc.  
ExpressJet Holdings, Inc.  
ExpressJet Airlines, Inc.

Sch III-1

Exhibit A-1

FORM OF OPINION OF COMPANY'S COUNSEL  
TO BE DELIVERED PURSUANT TO  
SECTION 6(b)

(i) The Company is validly existing as a corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties, to conduct its business as described in the Prospectus, to issue the Securities and to enter into and perform its obligations under the Underwriting Agreement and the Indenture.

(ii) The execution and delivery of the Indenture have been

duly authorized by all necessary corporate action of the Company, and the Indenture has been duly executed and delivered by the Company and is a valid, binding and enforceable agreement of the Company.

(iii) The execution and delivery of the Securities have been duly authorized by all necessary corporate action of the Company, and the Securities have been duly executed and delivered by the Company and are the valid, binding and enforceable obligations of the Company, entitled to the benefits of the Indenture.

(iv) The holders of outstanding shares of capital stock of the Company are not entitled to any statutory preemptive rights to subscribe for the Securities or the Underlying Securities; and the Underlying Securities into which the Securities are convertible at the initial conversion price have been duly authorized by all necessary corporate action of the Company and reserved for issuance upon conversion and, upon issuance thereof on conversion of the Securities in accordance with the Indenture and the terms of the Securities at conversion prices at or in excess of the par value of such Underlying Securities, will be validly issued, fully paid and nonassessable.

(v) The information in the Prospectus Supplement under "Description of Notes" and "Description of Common Stock," in the Prospectus under "Description of Debt Securities" and "Description of Common Stock and Preferred Stock" and in the Registration Statement under Item 15, insofar as such statements purport to summarize certain provisions of the Securities, the Indenture, the Company's charter and bylaws and matters of Delaware General Corporation Law, is correct in all material respects.

(vi) The Registration Statement, including any Rule 462(b) Registration Statement, has been declared effective under the 1933 Act; any required filing of the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and, to the best of our knowledge, no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or threatened by the Commission; the

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Registration Statement, including any Rule 462(b) Registration Statement and the Rule 430A Information, as applicable, the Prospectus, excluding the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and Prospectus, excluding the documents incorporated by reference therein, as of their respective effective or issue dates (other than the financial statements and supporting schedules included therein or omitted therefrom, as to which such counsel need express no opinion) appeared on their face to have been appropriately responsive in all material respects to the requirements of the Securities Act and the General Rules and Regulations of the Commission thereunder.

(vii) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(viii) The Company is not, and after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be, an "investment company," as such term is defined in the 1940 Act.

(ix) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any United States or Texas court or governmental authority or agency (other than under the 1933 Act and the 1933 Act Regulations, which have been obtained, or as may be required under the securities or blue sky laws of the various states, as to which such counsel need express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Underwriting Agreement, the Indenture, the Securities or the Underlying Securities.

In addition, such counsel shall include a statement to the following effect:

Because the primary purpose of such counsel's engagement was not to establish or confirm factual matters or financial or accounting matters and because of the wholly or partially non-legal character of many of the statements contained in the Prospectus, such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Prospectus, and such counsel has not independently verified the accuracy, completeness or fairness of such statements. Such counsel has participated in conferences with officers and other representatives of the Company and Continental and representatives of the independent public accountants of the Company, and with the Underwriters' representatives and legal counsel, at which conferences the contents of the Registration Statement and the Prospectus and related matters were discussed. Such counsel has also reviewed certain corporate documents furnished to such counsel by the Company and Continental. Based on such participation and review (relying as to matters of fact upon statements made to us by representatives of the Company), and subject to the limitations described above, nothing has come to such counsel's attention that would lead such counsel to believe that the Registration Statement or any amendment thereto, including the Rule 430A Information (if applicable), (except for (i) financial statements and schedules contained therein, including the notes thereto and the auditors' reports thereon, (ii) the other financial information contained therein or omitted therefrom and (iii) the exhibits thereto, as to which we have not been asked to comment), at the time such Registration Statement or any such

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amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus or any amendment or supplement thereto (except for (i) financial statements and schedules contained therein, including the notes thereto and the auditors' reports thereon, (ii) the other financial information contained therein or omitted therefrom and (iii) the exhibits thereto, as to which we have not been asked to comment), as of their dates or as of the date hereof, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

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Exhibit A-2

FORM OF OPINION OF JENNIFER L. VOGEL, ESQ.,  
TO BE DELIVERED PURSUANT TO  
SECTION 6(b)

(i) The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(ii) To her knowledge and except as set forth in the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company are outstanding, except as may have been issued or may exist under the Company's employee benefit or similar plans.

(iii) To her knowledge, there is not pending or threatened any action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, domestic or foreign, of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Prospectus.

(iv) Each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to the best of my knowledge, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(v) The documents incorporated by reference in the Prospectus (other than the financial statements and supporting schedules included therein or omitted therefrom, as to which such counsel need express no opinion), when they were filed with the Commission complied as to form in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission thereunder.

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(vi) To her knowledge, neither the Company nor any subsidiary is in violation of its charter or by-laws and no default by the Company or any subsidiary exists in the due performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement, (except for such defaults that are not reasonably expected to have a Material Adverse Effect).

(vii) To her knowledge, the execution, delivery and performance of the Underwriting Agreement, the Securities and the Indenture and the consummation of the transactions contemplated in the Underwriting Agreement, in the Indenture and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use Of Proceeds") and compliance by the Company with its obligations under the Underwriting Agreement or the Indenture do not and will not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default under or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to her, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that are not reasonably expected to have a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any subsidiary,



or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to her, of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their respective properties, assets or operations, which violation would result in a Material Adverse Effect.

(viii) Except as set forth in the Prospectus, no holders of securities of the Company have rights to the registration of such securities under the Registration Statement.

-----

CONTINENTAL AIRLINES, INC.,  
AS ISSUER,  
TO  
BANK ONE, N.A.,  
AS TRUSTEE

-----

FIRST SUPPLEMENTAL INDENTURE  
DATED JANUARY 23, 2002  
SUPPLEMENTING AND AMENDING THE INDENTURE  
DATED AS OF JULY 15, 1997

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EXHIBIT A FORM OF NOTES

(hereinafter called the "Supplemental Indenture"), is between CONTINENTAL AIRLINES, INC., a Delaware Corporation (hereinafter called the "Company"), and BANK ONE, N.A., a national banking association duly organized and existing under the laws of the United States of America, as Trustee under the Indenture referred to below (hereinafter called the "Trustee").

#### RECITALS

The Company and the Trustee are parties to an Indenture, dated as of July 15, 1997 (the "Indenture"), relating to the issuance from time to time by the Company of its Securities on terms to be specified at the time of issuance. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture.

The Company has duly authorized the creation of a series of its Securities denominated its "4.50% Convertible Notes due 2007" (such Securities being referred to herein as the "Notes").

The Company has duly authorized the execution and delivery of this Supplemental Indenture in order to provide for the issuance of the Notes.

The Company has requested the Trustee and the Trustee has agreed to join with it in the execution and delivery of this Supplemental Indenture.

Section 8.1(7) of the Indenture provides that the Company, acting pursuant to a Board Resolution, and the Trustee, at any time and from time to time, may enter into an indenture supplemental to the Indenture to establish the form and terms of Securities of any series as permitted by Sections 2.1 and 3.1 of the Indenture.

The Company has determined that this Supplemental Indenture complies with Section 8.1(7) and does not require the consent of any Holders of Securities. On the basis of the foregoing, the Trustee has determined that this Supplemental Indenture is in form satisfactory to it.

The Company has furnished the Trustee with an Officers' Certificate and an Opinion of Counsel complying with the requirements of Section 8.4 of the Indenture, stating that the execution of this Supplemental Indenture is authorized or permitted by the Indenture, and has delivered to the Trustee a Board Resolution authorizing the execution and delivery of this Supplemental Indenture, together with such other documents as may have been required by Section 3.3 of the Indenture.

All things necessary to make this Supplemental Indenture a valid agreement of the Company and the Trustee and a valid amendment of and supplement to the Indenture have been done. The entry into this Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Indenture.

The Company has duly authorized the execution and delivery of this Supplemental Indenture, and all things necessary have been done to make the Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the

Company, the valid obligations of the Company, and to make this Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW THEREFORE:

It is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

#### ARTICLE I

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. Definitions. For all purposes of the Indenture and this Supplemental Indenture as they relate to the Notes, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article;

(b) the words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture and this Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and

(c) capitalized terms used but not defined herein are used as they are defined in the Indenture.

"Change in Control" means:

(i) the occurrence of a Non-Stock Fundamental Change; or

(ii) the acquisition by any Person (including any syndicate or group which would be deemed to be a "person" under Section 13(d) (3) of the Exchange Act, as in effect on the date of the original execution of this Supplemental Indenture) of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of capital stock of the Company entitling such Person to exercise 90% or more of the total voting power of all shares of capital stock of the Company that are entitled to vote generally in elections of directors, unless such beneficial ownership results from, or arises in connection with, a Common Stock Fundamental Change;

provided, however, that a Change in Control shall not be deemed to have occurred if either (a) the Closing Price per share of Common Stock for any five Trading Days within the period of 10 consecutive Trading Days ending immediately after the later of the Change in Control or the public announcement of the Change in Control (in the case of a Change in Control under clause (ii) of this definition) or a period of 10 consecutive Trading Days ending immediately before the Change in Control (in the case of a Change in Control under clause (i) of this definition) shall equal or exceed 105% of the Conversion Price of the Notes in effect on each such Trading Day, or (b) all of the consideration (excluding cash payments for fractional shares)

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in the transaction or transactions constituting the Change In Control consists of common stock traded on a national securities exchange or quoted on the Nasdaq National Market and as a result of such transaction or transactions the Notes become convertible solely into such common stock (excluding cash payments relating to fractional shares).

"Closing Price" of any security on any date of determination means:

(1) the closing sale price (or, if no closing sale price is reported, the last reported sale price) of such security on The New York Stock Exchange on such date;

(2) if such security is not listed for trading on The New York Stock Exchange on any such date, the closing sale price as reported in the composite transactions for the principal U.S. securities exchange on which such security is so listed;

(3) if such security is not so listed on a U.S. national or regional securities exchange, the closing sale price as reported by the Nasdaq National Market;

(4) if such security is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization; or

(5) if such bid price is not available, the average of the mid-point of the last bid and ask prices of such security on such date from at least three nationally recognized independent investment banking firms retained for this purpose by the Company.

"Common Stock" means the Company's Class B common stock, par value \$0.01 per share, as it exists on the date of this Supplemental Indenture and any shares of any class or classes of capital stock of the Company resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company

and which are not subject to redemption by the Company; provided, however, that if at any time shares of more than one such resulting class shall be issued and outstanding, the shares of each such class then so issuable on conversion of Notes shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the number of shares of all such classes resulting from all such reclassifications.

"Common Stock Fundamental Change" means any Fundamental Change in which more than 25% of the value, as determined in good faith by the Board of Directors, of the consideration received by holders of Common Stock consists of common stock that on or prior to the Entitlement Date has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the Nasdaq Stock Market; provided, however, that a Fundamental Change will not be a Common Stock Fundamental Change unless either:

- (i) the Company continues to exist after the occurrence of the Fundamental Change and the Outstanding Notes continue to exist as Outstanding Notes, or

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- (ii) not later than the occurrence of such Fundamental Change, the Outstanding Notes are converted into or exchanged for notes of a corporation succeeding to the business of the Company (whether by operation of law or otherwise), which notes have terms substantially similar to the Notes.

"Conversion Agent" means any Person authorized by the Company to convert the Notes in accordance with Article V of this Supplemental Indenture.

"Conversion Price" has the meaning indicated in Section 5.01 of this Supplemental Indenture.

"Entitlement Date" means the record date for determination of the holders of Common Stock entitled to receive securities, cash or other property in connection with a Fundamental Change or, if there is no record date, the date on which holders of Common Stock will have the right to receive such securities, cash or other property.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fundamental Change" means the occurrence of any transaction or event in connection with a plan pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitute solely the right to receive securities, cash or other property (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of a plan involving more than one such transaction or event, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock shall be exchanged for, converted into, or acquired for or constitute solely the right to receive securities, cash or other property. Purchases of Common Stock by the Company pursuant to a stock buyback program shall not constitute a Fundamental Change.

"Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

"Notes" has the meaning indicated in the recitals of this Supplemental Indenture.

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

"Trading Day" means:

- (1) if the applicable security is listed or admitted for trading on The New York Stock Exchange or another national security exchange, a day on which The New York Stock Exchange or such other national security exchange is open for business;

- (2) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon; or

(3) if the applicable security is not so listed, admitted for trading or quoted, a day on which the applicable security is traded regular way in the over-the-counter market and for which a closing bid and a closing asked price for such security are available.

"Underwriters" means Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Underwriters' Option" means the option of the Underwriters set forth in Section 2(b) of the Underwriting Agreement.

"Underwriting Agreement" means the underwriting agreement dated January 16, 2002 among the Company and the Underwriters.

SECTION 1.02. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 1.03. Successors and Assigns. All covenants and agreements in this Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.04. Separability. In case any provision in this Supplemental Indenture or the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.05. Conflict with Trust Indenture Act. If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Supplemental Indenture by any of the provisions of the Trust Indenture Act of 1939, as amended, such required provisions shall control.

SECTION 1.06. Benefits of Supplemental Indenture. Nothing in this Supplemental Indenture, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

SECTION 1.07. Application of Supplemental Indenture. This Supplemental Indenture shall take effect on the date hereof, and shall apply only to the Notes. This Supplemental Indenture shall have no effect on any other Securities, whether originally issued prior to the date hereof or thereafter. If any provision of this Supplemental Indenture is inconsistent with any provision of the Indenture, then, to the extent permitted by the Indenture, the provision in this Supplemental Indenture shall control.

SECTION 1.08. Governing Law. THIS SUPPLEMENTAL INDENTURE AND EACH NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NEW YORK AND THIS SUPPLEMENTAL INDENTURE AND EACH SUCH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

## ARTICLE II

### THE NOTES

SECTION 2.01. Title and Terms. There is hereby created under the Indenture a series of Securities known and designated as the "4.50% Convertible Notes due 2007" of the Company. The aggregate principal amount of Notes that may be authenticated and delivered under this Supplemental Indenture is limited to \$175,000,000 (plus any additional amount of Notes issued upon the exercise of the Underwriters' Option, which additional amount may not exceed \$26,250,000), except for Notes authenticated and delivered upon re-registration of, transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 3.4, 3.5, 3.6, 8.6 or 10.7 of the Indenture or Section 4.02(e) or 5.02 of this Supplemental Indenture.

The Stated Maturity for payment of principal of the Notes

shall be February 1, 2007, and the Notes shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rate of 4.50% of the principal amount per annum, from January 23, 2002, or the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount thereof is paid at Maturity and at the rate of 4.50% per annum on any overdue principal and premium, if any, and, to the extent permitted by law, on any overdue interest. Interest on the Notes shall be payable semi-annually in arrears on February 1 and August 1 each year (each, an "Interest Payment Date"), commencing August 1, 2002, to the Persons in whose names the Notes (or any Predecessor Securities) are registered at the close of business on the January 15 or July 15 immediately preceding such Interest Payment Date. Except as provided in this paragraph, if a Holder converts its Notes into Common Stock on any day other than an Interest Payment Date, such Holder shall receive no interest that has accrued but is unpaid on such Notes. A Holder who converts a Note after a Regular Record Date for an interest payment but prior to the corresponding Interest Payment Date, shall be entitled to receive on the Interest Payment Date interest accrued and paid on such Note (if such Holder was the Holder of such Note on such Regular Record Date), notwithstanding the conversion of such Note prior to such Interest Payment Date. However, at the time such Holder surrenders such Notes for conversion, such Holder must pay to the Company an amount equal to the interest that has accrued and will be paid on the Interest Payment Date on the Note being converted. However, the preceding sentence shall not apply to Notes that are converted after being called by the Company for redemption pursuant to Article III of this Supplemental Indenture or being subject to repurchase pursuant to Article IV of this Supplemental Indenture.

The Notes shall be initially issued in the form of one or more global Notes and the Depository for the Notes shall be The Depository Trust Company, New York, New York.

The Notes shall not be subject to any sinking fund.

The Notes shall be issuable in denominations of \$1,000 and integral multiples thereof.

The Notes shall not be issued as Original Issue Discount Securities.

The form of Notes attached hereto as Exhibit A is hereby adopted as a form of Securities of a series that consists of Notes. Certain terms of the Notes are set forth in the form of the Notes.

With respect to the Notes only and for the benefit only of the Holders thereof, the failure on the part of the Company to observe or perform any of the covenants or agreements on the part of the Company in this Supplemental Indenture not otherwise specified in Section 5.1 of the Indenture shall be an additional Event of Default with respect to the Notes as if and, for all purposes under the Indenture, to the same extent as if the same were specified in Section 5.1(3) of the Indenture.

ARTICLE III

REDEMPTION OF NOTES

SECTION 3.01. Right to Redeem. At any time on or after February 5, 2005, the Company may redeem some or all of the Notes on at least 30 but not more than 60 days' notice given in accordance with Section 10.4 of the Indenture, at the following Redemption Prices (expressed in percentages of the principal amount).

During the Period Commencing -----	Redemption Price -----
February 5, 2005 through January 31, 2006	101.80%
February 1, 2006 through January 31, 2007	100.90%

The notice of redemption shall state, in addition to the information required by Section 10.4 of the Indenture, the Conversion Price, the



date on which the right to convert the Notes will terminate and the places where the Notes may be surrendered for conversion.

In addition, the Company shall pay interest on the Notes being redeemed. This interest shall include interest accrued and unpaid to, but excluding, the Redemption Date. If the Redemption Date is an Interest Payment Date, the Company shall pay interest on the Notes being redeemed to the Holder of record thereof on the Regular Record Date immediately preceding such Interest Payment Date. If the Redemption Date is a date between a Regular Record Date and the corresponding Interest Payment Date, the Company shall pay interest on the Notes being redeemed to the Holder who surrenders such Notes for redemption.

#### ARTICLE IV

##### REPURCHASE OF SECURITIES AT THE OPTION OF HOLDERS UPON A CHANGE IN CONTROL

SECTION 4.01. Right to Require Repurchase. In the event that a Change in Control shall occur, then each Holder shall have the right, at the Holder's option, to require the Company to repurchase, and upon the exercise of such right the Company shall repurchase, all of such Holder's Notes, or any portion of the principal amount thereof that is equal to \$1,000 or any integral multiple of \$1,000 in excess thereof, on the date (the "Repurchase Date") that is 45 days after the date of the Company Notice (as defined in Section 4.02) at a purchase price equal to

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100% of the principal amount of the Notes to be repurchased (the "Repurchase Price") plus interest, if any, accrued but unpaid to, but excluding, the Repurchase Date; provided, however, that installments of interest on Notes whose Stated Maturity is on or prior to the Repurchase Date shall be payable to the Holders of such Notes, or one or more Predecessor Securities, registered as such on the relevant Regular Record Date according to their terms and the provisions of Section 3.7 of the Indenture. In the event that the Repurchase Date is a date between a Regular Record Date and the corresponding Interest Payment Date, the Company shall pay interest on the Notes being repurchased to the Holder who surrenders such Notes for repurchase. Any reference herein, in any context, to the principal of any Note as of any time, shall be deemed to include a reference to the Repurchase Price payable in respect of such Note to the extent that such Repurchase Price is, was or would be so payable at such time, and express mention of the Repurchase Price in any provision hereof shall not be construed as excluding the Repurchase Price in such provision when such express mention is not made.

SECTION 4.02. Notices; Method of Exercising Repurchase Right, Etc. (a) Unless the Company shall have theretofore called for redemption all of the Outstanding Notes, on or before the 30th day after the occurrence of a Change in Control, the Company or, at the request and expense of the Company, the Trustee, shall give to all Holders of Notes, in the manner provided in Section 1.6 of the Indenture, notice (the "Company Notice") of the occurrence of the Change in Control and of the repurchase right set forth herein arising as a result thereof. The Company shall also deliver a copy of such notice of a repurchase right to the Trustee.

Each Company Notice shall describe such Change in Control, shall state that as a result of the occurrence of such Change in Control the Holder has the right to require the Company to repurchase the Holder's Notes in whole or in part and shall state:

- (i) the Repurchase Date,
- (ii) the date by which the repurchase right must be exercised pursuant to Section 4.02(b),
- (iii) the Repurchase Price,
- (iv) a description of the procedure which a Holder must follow to exercise a repurchase right, and the place or places where such Notes are to be surrendered for payment of the Repurchase Price and accrued and unpaid interest, if any, to, but excluding, the Repurchase Date,
- (v) that on the Repurchase Date the Repurchase Price, and

accrued and unpaid interest, if any, will become due and payable upon each such Note designated by the Holder to be repurchased (unless such Holder exercises its right to convert such Note pursuant to Article V of this Supplemental Indenture), and that interest thereon shall cease to accrue on and after said date with respect to any Note designated by the Holder to be repurchased,

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(vi) the Conversion Price then in effect, the date on which the right to convert the principal amount of the Notes to be repurchased will terminate and the place or places where such Notes may be surrendered for conversion, and

(vii) the place or places that the notice described in Section 4.02(b) shall be delivered, and the form of such notice.

No failure of the Company to give the foregoing notices or defect therein shall limit any Holder's right to exercise a repurchase right or affect the validity of the proceedings for the repurchase of Notes.

If any of the foregoing provisions or other provisions of this Article are inconsistent with applicable law, such law shall govern.

(b) To exercise a repurchase right, a Holder shall deliver to the Trustee or any Paying Agent on or before the 30th day after the date of the Company Notice (i) written notice of the Holder's exercise of such right, which notice shall set forth the name of the Holder, the principal amount of the Notes to be repurchased (and, if any Note is to be repurchased in part, the serial number thereof, the portion of the principal amount thereof to be repurchased and the name of the Person in which the portion thereof to remain Outstanding after such repurchase is to be registered) and a statement that an election to exercise the repurchase right is being made thereby, and (ii) the Notes with respect to which the repurchase right is being exercised. Such written notice shall be irrevocable, except that the right of the Holder to revoke such election by converting the Notes with respect to which the repurchase right is being exercised shall continue until the close of business on the Business Day immediately preceding the Repurchase Date.

(c) If the Holder of a Note exercises a repurchase right in accordance with the terms hereof, the Company shall pay or cause to be paid to the Trustee or the Paying Agent the Repurchase Price in cash for payment to such Holder on the Repurchase Date together with accrued and unpaid interest, if any, to but excluding the Repurchase Date payable with respect to the Notes as to which such Holder has exercised the repurchase right; provided, however, that installments of interest that mature on or prior to the Repurchase Date shall be payable in cash to the Holders of such Notes, or one or more Predecessor Securities, registered as such at the close of business on the relevant Regular Record Date, in each case according to the terms and provisions of Article Three of the Indenture.

(d) If any Note (or portion thereof) surrendered for repurchase shall not be so paid on the Repurchase Date, the principal amount of such Note (or portion thereof, as the case may be) shall, until paid, bear interest to the extent permitted by applicable law from the Repurchase Date at the rate of 4.50% per annum, and each Note shall remain convertible into Common Stock until the principal of such Note (or portion thereof, as the case may be) shall have been paid or duly provided for.

(e) Any Note which is to be repurchased only in part shall be surrendered to the Trustee (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall

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execute, and the Trustee shall authenticate and make available for delivery to the Holder of such Note without service charge, a new Note or Notes, containing identical terms and conditions, each in an authorized denomination in aggregate principal amount equal to and in exchange for the unrepurchased portion of the principal of the Note so surrendered.

ARTICLE V

CONVERSION OF NOTES

SECTION 5.01. Conversion Right and Conversion Price. Subject to and upon compliance with the provisions of this Article V, at the option of the Holder thereof, any Note or any portion of the principal amount thereof which is \$1,000 or an integral multiple of \$1,000 may be converted at the principal amount thereof, or of such portion thereof, into duly authorized, fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100 of a share), at the Conversion Price, determined as hereinafter provided, in effect at the time of conversion. Such conversion right shall expire at the close of business on the Business Day immediately preceding Maturity.

In case a Note or portion thereof is called for redemption, such conversion right in respect of the Note or the portion so called, shall expire at the close of business on the Business Day immediately preceding the Redemption Date, unless the Company defaults in making the payment due upon redemption. In the case of a Change in Control for which the Holder exercises its repurchase right with respect to a Note or portion thereof, such conversion right in respect of the Note or portion thereof shall expire at the close of business on the Business Day immediately preceding the Repurchase Date; provided, however, that if a Holder has previously given notice of the Holder's exercise of its repurchase right with respect to such Note, such notice shall be deemed withdrawn in connection with any such conversion.

The price at which shares of Common Stock shall be delivered upon conversion (the "Conversion Price") shall be initially equal to \$40 per share of Common Stock. The Conversion Price shall be adjusted in certain instances as provided in paragraphs (a), (b), (c), (d), (e), (f), (h) and (1) of Section 5.04 of this Supplemental Indenture.

SECTION 5.02. Exercise of Conversion Right. The Company shall maintain or cause to be maintained in the Borough of Manhattan, the City of New York, an office or agency where Notes may be presented for conversion (the "Conversion Agent").

To exercise the conversion right, the Holder of any Note to be converted shall surrender such Note duly endorsed or assigned to the Company or in blank, at the office of the Conversion Agent, accompanied by a duly signed conversion notice substantially in the form attached to the Notes as set forth in Exhibit A hereto to the Company stating that the Holder elects to convert such Note or, if less than the entire principal amount thereof is to be converted, the portion thereof to be converted.

Notes surrendered for conversion (in whole or in part) during the period from the close of business on any Regular Record Date to the opening of business on the next succeeding Interest Payment Date shall (except in the case of any Note or portion thereof which has been

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called for redemption on a Redemption Date or is subject to repurchase on a Repurchase Date prior to such Interest Payment Date and, as a result, the right to convert such Note with respect to which redemption or repurchase rights have been exercised would terminate during such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest to be received on such Interest Payment Date on the principal amount of Notes being surrendered for conversion. The interest so payable on such Interest Payment Date in respect of such Note (or portion thereof) surrendered for conversion shall be paid to the Holder of such Note as of such Regular Record Date.

Notes shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such Notes for conversion in accordance with the foregoing provisions, and at such time the rights of the Holders of such Notes as Holders shall cease, and the Person or Persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record Holder or Holders of such Common Stock at such time. As promptly as practicable on or after the conversion date, the Company shall cause to be issued and delivered to such Conversion Agent a certificate or certificates for the number of full shares of Common Stock issuable upon conversion, together with payment in lieu of any fraction of a share as provided in Section 5.03 of this Supplemental Indenture.

In the case of any Note which is converted in part only, upon such conversion the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Note or Notes of authorized denominations in aggregate principal amount equal to the unconverted portion of the principal amount of such Notes.

The Company hereby initially appoints the Trustee as the Conversion Agent.

SECTION 5.03. Fractions of Shares. No fractional shares of Common Stock shall be issued upon conversion of any Note or Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issued upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock which would otherwise be issued upon conversion of any Note or Notes (or specified portions thereof), the Company shall pay a cash adjustment in respect of such fraction (calculated to the nearest one-100th of a share) in an amount equal to the same fraction of the Closing Price of the Common Stock as of the Trading Day immediately preceding the date of conversion.

SECTION 5.04. Adjustment of Conversion Price. The Conversion Price shall be subject to adjustments, calculated by the Company, from time to time as follows:

(a) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction:

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(i) the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the Record Date (as defined in Section 5.04(g)) fixed for such determination, and

(ii) the denominator of which shall be the sum of such number of shares referenced in clause (i) immediately above and the total number of shares constituting such dividend or other distribution.

Such reduction shall become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this Section 5.04(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(b) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) In case the Company shall issue rights or warrants (other than any rights or warrants referred to in Section 5.04(d)) to all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a conversion price per share) less than the Current Market Price (as defined in Section 5.04(g)) on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect at the opening of business on the date after such Record Date by a fraction:

(i) the numerator of which shall be the number of shares of

Common Stock outstanding at the close of business on such Record Date plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase (or the aggregate conversion price of the convertible securities so offered) would purchase at such Current Market Price, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding on the close of business on such Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase (or into which the convertible securities so offered are convertible).

Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock (or securities convertible into Common

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Stock) are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Price shall be readjusted to the Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock (or securities convertible into Common Stock) actually delivered. In the event that such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such Record Date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"):

(i) are deemed to be transferred with such shares of Common Stock;

(ii) are not exercisable; and

(iii) are also issued in respect of future issuances of Common Stock,

shall be deemed not to have been distributed (and no adjustment to the Conversion Price will be required) until the occurrence of the earliest Trigger Event. If such right or warrant is subject to subsequent events, upon the occurrence of which such right or warrant shall become exercisable to purchase different securities, evidences of indebtedness or other assets or entitle the holder to purchase a different number or amount of the foregoing or to purchase any of the foregoing at a different purchase price, then the occurrence of each such event shall be deemed to be the date of issuance and Record Date with respect to a new right or warrant (and a termination or expiration of the existing right or warrant without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto, that resulted in an adjustment to the Conversion Price:

(1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Price shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder of Common Stock with respect to such rights or warrant (assuming such holder had retained such rights or warrants), made to all holders of Common Stock

as of the date of such redemption or repurchase, and

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(2) in the case of such rights or warrants all of which shall have expired or been terminated without exercise, the Conversion Price shall be readjusted as if such rights and warrants had never been issued.

(d) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness, securities or capital stock (including dividends or other distributions of shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit of the Company), cash or other assets, excluding (1) any dividend or distribution to which Section 5.04(a) applies, (2) any rights or warrants referred to in Section 5.04(c), (3) any stock, securities or other property or assets (including cash) distributed in connection with a reclassification, change, merger, consolidation, statutory share exchange, combination, sale or conveyance to which Section 5.04(b) or Section 5.11 of this Supplemental Indenture applies and (4) dividends and distributions paid exclusively in cash, then, in each such case, unless otherwise provided in this Section 5.04(d), the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the Record Date (as defined in Section 5.04(g)) with respect to such distribution by a fraction:

(i) the numerator of which shall be the Current Market Price (determined as provided in Section 5.04(g)) on such date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution filed with the Trustee) on such date of the portion of the evidence of indebtedness, security, capital stock, cash or other assets so distributed applicable to one share of Common Stock (determined on the basis of the number of shares of the Common Stock outstanding on the Record Date), and

(ii) the denominator of which shall be such Current Market Price.

Such reduction shall become effective immediately prior to the opening of business on the day following the Record Date. However, in the event that the then fair market value (as so determined) of the portion of the assets so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of assets such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the fair market value of any distribution for purposes of this Section 5.04(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution, it must in doing so consider the prices in such market over the same period (the "Reference Period") used in computing the Current Market Price pursuant to Section 5.04(g) to the extent possible, unless the Board of Directors in a Board Resolution determines in good faith that determining the fair market value during the Reference Period would not be in the best interest of the Holders.

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(e) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding any cash that is distributed upon a reclassification, change, merger, consolidation, statutory share exchange, combination, sale or conveyance to which Section 5.11 of this Supplemental Indenture applies or as part of a distribution referred to in Section 5.04(d) of this Supplemental Indenture), in an aggregate amount that,

combined together with:

(1) the aggregate amount of any other such distributions to all holders of Common Stock made exclusively in cash within the 12 months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to this Section 5.04(e) has been made, and

(2) the aggregate of any cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution filed with the Trustee) of consideration payable in respect of any tender offer by the Company or any of its Subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of such distribution, and in respect of which no adjustment pursuant to Section 5.04(f) of this Supplemental Indenture has been made,

exceeds 12.5% of the product of the Current Market Price (determined as provided in Section 5.04(g)) on the Record Date with respect to such distribution times the number of shares of Common Stock outstanding on such date, then and in each such case, unless otherwise provided in this Section 5.04(e), immediately after the close of business on such date, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such Record Date by a fraction:

(i) the numerator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the excess of such combined amount over such 12.5% divided by (y) the number of shares of Common Stock outstanding on the Record Date, and

(ii) the denominator of which shall be equal to the Current Market Price on such date.

However, in the event that the excess of such combined amount over such 12.5% applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon conversion of a Note (or any portion thereof) the amount of cash such Holder would have received had such Holder converted such Note (or portion thereof) immediately prior to such Record Date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(f) In case a tender offer made by the Company or any of its Subsidiaries for all or any portion of the Common Stock shall expire and such tender offer (as amended upon the

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expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution) that combined together with:

(1) the aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and set forth in a Board Resolution filed with the Trustee), as of the expiration of such tender offer, of consideration payable in respect of any other tender offers, by the Company or any of its Subsidiaries for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to this Section 5.04(f) has been made, and

(2) the aggregate amount of any distributions to all holders of the Common Stock made exclusively in cash within 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to Section 5.04(e) has been made,

exceeds 12.5% of the product of the Current Market Price (determined as provided in Section 5.04(g)) as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) multiplied by the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to close of business on the date of the Expiration Time by a fraction:

(i) the numerator of which shall be the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time multiplied by the Current Market Price of the Common Stock on the date of the Expiration Time, and

(ii) the denominator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to the stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Current Market Price of the Common Stock on the date of the Expiration Time.

Such reduction (if any) shall become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender offer had not been made. If the application of this Section 5.04(f) to any tender offer would result in an increase in the Conversion Price, no adjustment shall be made for

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such tender offer under this Section 5.04(f). Notwithstanding the foregoing, purchases pursuant to a stock buyback program shall not constitute a tender offer for such purposes.

(g) For purposes of this Section 5.04, the following terms shall have the meanings indicated:

(1) "Current Market Price" means the average of the daily Closing Prices per share of Common Stock for the five consecutive Trading Days selected by the Company commencing not more than 10 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. For purposes of this paragraph, the term "ex" date, when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the applicable securities exchange or in the applicable securities market without the right to receive such issuance or distribution.

(2) "fair market value" means the amount which a willing buyer would pay a willing seller in an arm's length transaction.

(3) "Record Date" means, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(h) The Company may make such reductions in the Conversion



Price, in addition to those required by Sections 5.04(a), (b), (c), (d), (e) or (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days and the reduction is irrevocable during the period and the Board of Directors determines in good faith that such reduction would be in the best interests of the Company, which determination shall be conclusive and set forth in a Board Resolution. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to the Trustee and each Holder at the address of such Holder as it appears in the Register a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 5.04(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article V shall be made by the Company and shall be made to the nearest

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cent or to the nearest one hundredth of a share, as the case may be. No adjustment need be made for a change in the par value or no par value of the Common Stock. To the extent the Notes become convertible into the right to receive cash, no adjustment need be made thereafter as to the cash. Interest shall not accrue on the cash.

(j) In any case in which this Section 5.04 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of any Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 5.03 of this Supplemental Indenture.

(k) For purposes of this Section 5.04, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company, other than Common Stock issued in respect of Common Stock.

(l) If the distribution date for the rights provided in the Company's rights agreement, if any, occurs prior to the date a Note is converted, the Holder of the Note who converts such Note after the distribution date shall not be entitled to receive the rights that would otherwise be attached (but for the date of conversion) to the shares of Common Stock received upon such conversion (unless the Company elects to issue such rights to such Holder); provided, however, that an adjustment shall be made to the Conversion Price pursuant to clause 5.04(c) as if the rights were being distributed to the common stockholders of the Company immediately prior to such conversion (unless the Company elects to issue such rights to such Holder). If such an adjustment is made and the rights are later redeemed, invalidated or terminated, then a corresponding reversing adjustment shall be made to the Conversion Price, on an equitable basis, to take account of such event.

SECTION 5.05. Notice of Adjustments of Conversion Price.  
Whenever the Conversion Price is adjusted as herein provided (other than in the case of an adjustment pursuant to the second paragraph of Section 5.04(h) for which the notice required by such paragraph has been provided), the Company shall promptly file with the Trustee and the Conversion Agent if other than the Trustee an Officers' Certificate setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based. Promptly after delivery of such Officers' Certificate, the Company shall prepare

a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective, and shall mail such notice to each Holder at the address of such Holder as it appears in the Register within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not effect the legality or validity of any such adjustment.

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SECTION 5.06. Notice Prior to Certain Actions. In case at any time after the date of this Supplemental Indenture:

(1) the Company shall declare a dividend (or any other distribution) on its Common Stock payable otherwise than in cash out of its capital surplus or its consolidated retained earnings;

(2) the Company shall authorize the granting to all of the holders of its Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class (or of securities convertible into shares of capital stock of any class) or of any other rights;

(3) there shall occur any reclassification of the Common Stock of the Company (other than a subdivision or combination of its outstanding Common Stock, a change in par value, a change from par value to no par value or a change from no par value to par value), or any merger, consolidation, statutory share exchange or combination to which the Company is a party and for which approval of any stockholders of the Company is required, or the sale, transfer or conveyance of all or substantially all of the assets of the Company; or

(4) there shall occur the voluntary or involuntary dissolution, liquidation or winding up of the Company;

the Company shall cause to be filed with the Conversion Agent, and shall cause to be provided to the Trustee and all Holders, at least 20 days (or 10 days in any case specified in clause (1) or (2) above) prior to the applicable record or effective date hereinafter specified, a notice stating:

(A) the date on which a record is to be taken for the purpose of such dividend, distribution, rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, rights or warrants are to be determined, or

(B) the date on which such reclassification, merger, consolidation, statutory share exchange, combination, sale, transfer, conveyance, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, merger, consolidation, statutory share exchange, sale, transfer, dissolution, liquidation or winding up.

Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings or actions described in clauses (1) through (4) of this Section 5.06.

The Company shall cause to be filed at each office or agency maintained for the purpose of conversion of Notes and shall cause to be provided to all Holders in accordance with Section 1.6 of the Indenture, notice of any tender offer by the Company or any Subsidiary for all

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or any portion of the Common Stock at or about the time that such notice of tender offer is provided to the public generally.

SECTION 5.07. Company to Reserve Common Stock. The Company shall at all times use its best efforts to reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of Notes, the full number of shares of fully paid and nonassessable Common Stock then issuable upon the conversion of all Outstanding Notes.

SECTION 5.08. Taxes on Conversions. Except as provided in the next sentence, the Company will pay any and all taxes (other than taxes on income) and duties that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Notes pursuant hereto. A Holder delivering a Note for conversion shall be liable for and will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in a name other than that of the Holder of the Note or Notes to be converted, and no such issue or delivery shall be made unless the Person requesting such issue has paid to the Company the amount of any such tax or duty, or has established to the satisfaction of the Company that such tax or duty has been paid.

SECTION 5.09. Covenant as to Common Stock. The Company covenants that all shares of Common Stock which may be issued upon conversion of Notes will upon issue be fully paid and nonassessable and, except as provided in Section 5.08, the Company will pay all taxes, liens and charges with respect to the issue thereof.

SECTION 5.10. Cancellation of Converted Notes. All Notes delivered for conversion shall be delivered by the Conversion Agent to the Trustee to be canceled and thereafter destroyed as provided in Section 3.9 of the Indenture.

SECTION 5.11. Effect of Reclassification, Consolidation, Merger or Sale. If any of following events occur:

(i) any reclassification of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(ii) any merger, consolidation, statutory share exchange or combination of the Company with another Corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock or

(iii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other Corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock,

then the Company or the successor or purchasing Corporation, as the case may be, shall execute with the Trustee a supplemental indenture providing that each Note shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash)

which the Holder would have been entitled to receive upon such reclassification, merger, consolidation, statutory share exchange, combination, sale or conveyance had such Note been converted into Common Stock immediately prior to such reclassification, merger, consolidation, statutory share exchange, combination, sale or conveyance assuming the holder of such Common Stock did not exercise its rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such reclassification, merger, consolidation, statutory share exchange, sale or conveyance (provided that, if the kind or amount of securities, cash or other property receivable upon such reclassification, change, merger, consolidation, statutory share exchange, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("Non-Electing Share"), then for the purposes of this Section 5.11 the kind and amount of securities, cash or other property receivable upon such reclassification, merger, consolidation, statutory share exchange, sale or conveyance for each Non-Electing Share shall be deemed to be the kind and amount so receivable per

share by a plurality of the Non-Electing Shares). Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article V. If, in the case of any such reclassification, merger, consolidation, statutory share exchange, combination, sale or conveyance, the stock or other securities and assets receivable thereupon by a holder of shares of Common Stock includes shares of stock or other securities and assets of a Corporation other than the successor or purchasing Corporation, as the case may be, in such reclassification, merger, consolidation, statutory share exchange, combination, sale or conveyance, then such supplemental indenture shall also be executed by such other Corporation and shall contain such additional provisions to protect the interests of the Holders of the Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at the address of such Holder as it appears on the Securities Register, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section shall similarly apply to successive mergers, consolidations, statutory share exchanges, combinations, sales and conveyances.

If this Section 5.11 applies to any event or occurrence, Section 5.04 of this Supplemental Indenture shall not apply.

SECTION 5.12. Responsibility of Trustee for Conversion Provisions. The Trustee and the Conversion Agent shall not at any time be under any duty or responsibility to any Holder of Notes to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or intent of any such adjustments when made, or with respect to the method employed, or herein or in any other supplemental indenture provided to be employed, in making the same. Neither the Trustee nor the Conversion Agent shall be accountable with respect to the validity or value (of the kind or amount) of any Common Stock, or of any other securities or property, which may at any time be issued or delivered upon the conversion of any Note; and it or they do not make any representation with respect thereto. Neither the Trustee nor the Conversion Agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of stock or share

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certificates or other securities or property upon the surrender of any Note for the purpose of conversion; and the Trustee and the Conversion Agent shall not be responsible or liable for any failure of the Company to comply with any of the covenants of the Company contained in this Article.

## ARTICLE VI

### EVENTS OF DEFAULT

SECTION 6.01. Additional Events of Default. (a) An Event of Default under this Supplemental Indenture shall occur with respect to the Notes if (regardless of the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in its obligation to provide a Company Notice in accordance with Section 4.02 of this Supplemental Indenture; or

(2) the Company defaults in its obligation to repurchase the Notes following the valid exercise by any Holder of such Holder's repurchase rights upon the occurrence of a Change in Control.

(b) The Events of Default provided for by Section 6.01(a) of this Supplemental Indenture shall be in addition to those contained in Section 5.1 of the Indenture, and shall be considered an Event of Default for purposes of Section 5.1(6) thereof.

SECTION 6.02. Applicability. This Article VI shall be subject to the provisions of Sections 1.07 and 2.01 of this Supplemental Indenture.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Confirmation of Indenture. The Indenture, as supplemented and amended by this Supplemental Indenture and all other indentures supplemental thereto, is in all respects ratified and confirmed, and the Indenture, this Supplemental Indenture and all other indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 7.02. Concerning the Trustee. The Trustee assumes no duties, responsibilities or liabilities by reason of this Supplemental Indenture other than as set forth in the Indenture.

The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of same, except for the recital indicating the Trustee's approval of the form of this Supplemental Indenture. The Trustee makes no representation as to the validity of this Supplemental Indenture.

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The Trustee accepts the trust created by the Indenture, as supplemented by this Supplemental Indenture, and agrees to perform the same upon the terms and conditions in the Indenture, as supplemented by this Supplemental Indenture.

SECTION 7.03. Execution in Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CONTINENTAL AIRLINES, INC.

By: \_\_\_\_\_  
Name:  
Title:

Attest:

-----  
Name:  
Title:

BANK ONE, N.A.,  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT A

## FORM OF NOTE

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL DEBT SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

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Continental Airlines, Inc.

4.50% Convertible Note due 2007

CUSIP No. 210795 PD 6                   \$ \_\_\_\_\_

Continental Airlines, Inc., a Delaware Corporation (the "Company," which term includes any successor Corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or its registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) [or such greater or lesser amount as is indicated on the Schedule of Exchanges attached hereto] (1) on February 1, 2007.

Interest Payment Dates: February 1 and August 1, commencing August 1, 2002  
Regular Record Dates: January 15 and July 15

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

-----  
(1) This phrase should be included only if the Note is issued in global form.

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IN WITNESS WHEREOF, the Company has caused this Note to be duly executed under its corporate seal manually or by facsimile by its duly authorized officers.

Continental Airlines, Inc.

By: \_\_\_\_\_  
Name:  
Title:

Attest:

By: \_\_\_\_\_

Trustee's Certificate of Authentication

This is one of the 4.50% Convertible Notes due 2007 issued under the within-named Indenture.

BANK ONE, N.A.,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Dated: January 23, 2002

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REVERSE OF NOTE

Continental Airlines, Inc.

4.50% Convertible Note due 2007

Capitalized terms used herein but not defined shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Principal and Interest.  
-----

Continental Airlines, Inc., a Delaware Corporation (the "Company"), promises to pay interest on the principal amount of this Note at a rate of 4.50% per annum from January 23, 2002, or the most recent Interest Payment Date to which interest has been duly paid or provided for until repayment at Stated Maturity, redemption or repurchase. The Company will pay interest on this Note semiannually in arrears on February 1 and August 1 of each year, commencing August 1, 2002.

The Company shall pay interest (including post-petition interest in any proceeding under Title 11, U.S.C., or any similar federal or state law for the relief of debts) on overdue principal on this Note and premium, if any, from time to time on demand at the rate per annum specified in the next preceding paragraph, and it shall pay interest (including post-petition interest in any

proceeding under Title 11, U.S.C., or any similar federal or state law for the relief of debts) on overdue installments of interest hereon (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful.

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

Except as provided in this paragraph, if a Holder converts its Notes into Common Stock on any day other than an Interest Payment Date, such Holder shall receive no interest that has accrued but is unpaid on such Notes. A Holder who converts a Note after a Regular Record Date for an interest payment but prior to the corresponding Interest Payment Date, shall be entitled to receive on the Interest Payment Date interest accrued and paid on such Note (if such Holder was the Holder of such Note on such Regular Record Date), notwithstanding the conversion of such Note prior to such Interest Payment Date. However, at the time such Holder surrenders such Notes for conversion, such Holder must pay to the Company an amount equal to the interest that has accrued and will be paid on the Interest Payment Date on the Note being converted. However, the preceding sentence shall not apply to Notes that are converted after being called by the Company for redemption or being subject to repurchase.

The Holder must surrender this Note to a Paying Agent to collect payment of principal.

2. Method of Payment.  
-----

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Note (or one or

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more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Principal of, and premium, if any, and interest on, global Notes will be payable to the Depositary in immediately available funds.

Principal and premium, if any, on definitive securities will be payable at the office or agency of the Company maintained for such purpose, initially the Corporate Trust Office of the Trustee. Interest on definitive securities will be payable by (i) Dollar check drawn on a bank in The City of New York mailed to the address of the Person entitled thereto as such address shall appear in the Register, or (ii) upon application to the Registrar by a Holder of an aggregate principal amount in excess of \$5,000,000, wire transfer in immediately available funds.

3. Paying Agent, Conversion Agent and Registrar.  
-----

Initially, Bank One, N.A., the Trustee under the Indenture, will act as Paying Agent, Conversion Agent and Registrar. The Company may change the Paying Agent, Conversion Agent or Registrar without notice to any Holder.

4. Indenture.  
-----

This Note is one of a duly authorized issue of Securities of the Company designated as its 4.50% Convertible Notes due 2007 (the "Notes"), issued under an Indenture, dated as of July 15, 1997, as supplemented by the First Supplemental Indenture dated January 23, 2002 (the "Indenture"), between the Company and Bank One, N.A., as trustee (the "Trustee"). The terms of the Note include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. This Note is subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture shall control.

The Notes are unsubordinated, unsecured obligations of the Company, initially limited to \$175,000,000 aggregate principal amount (plus any



additional amount of Notes issued upon the exercise of the Underwriters' Option, which additional amount may not exceed \$26,250,000). The Indenture does not limit other debt of the Company, secured or unsecured.

5. Optional Redemption.  
-----

At any time on or after February 5, 2005, the Company may redeem some or all of the Notes on at least 30 but not more than 60 days' notice, at the following Redemption Prices (expressed in percentages of the principal amount).

During The Period Commencing -----	Redemption Price -----
February 5, 2005 through January 31, 2006.....	101.80%
February 1, 2006 through January 31, 2007.....	100.90%

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In addition, the Company shall pay accrued and unpaid interest to the Redemption Date on the Notes being redeemed.

Notes in original denominations larger than \$1,000 may be redeemed in part. If any Note selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Note so selected, the converted portion of such Note shall be deemed to be the portion selected for redemption (provided, however, that the Holder of such Note so converted and deemed redeemed shall not be entitled to any additional interest payment as a result of such deemed redemption than such Holder would have otherwise been entitled to receive upon conversion of such Note). Notes which have been converted during a selection of Notes to be redeemed may be treated by the Trustee as Outstanding for the purpose of such selection.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price.

Notice of redemption will be given by or on behalf of the Company to the Holders as provided in the Indenture.

6. Repurchase Right Upon a Change in Control.  
-----

In the event that a Change in Control shall occur, then each Holder shall have the right, at the Holder's option, to require the Company to repurchase, and upon the exercise of such right the Company shall repurchase, all of such Holder's Notes, or any portion of the principal amount thereof that is equal to \$1,000 or any integral multiple of \$1,000 in excess thereof, on the date (the "Repurchase Date") that is 45 days after the date of the Company Notice at a purchase price equal to 100% of the principal amount of the Notes to be repurchased (the "Repurchase Price") plus interest, if any, accrued and unpaid to the Repurchase Date; provided, however, that installments of interest on Notes whose Stated Maturity is on or prior to the Repurchase Date shall be payable to the Holders of such Notes, or one or more Predecessor Securities, registered as such on the relevant Record Date according to their terms and the provisions of Section 3.7 of the Indenture.

A notice will be given by or on behalf of the Company to the Holders as provided in the Indenture. To exercise a repurchase right, a Holder must deliver to the Trustee a written notice in the form attached to this Note.

7. Conversion Rights.  
-----

Subject to and upon compliance with the provisions of the Indenture, each Holder of Notes is entitled, at such Holder's option, at any time before the close of business on the Business Day immediately preceding Maturity, to convert the Holder's Notes (or any portion of the principal amount hereof which is \$1,000 or an integral multiple thereof), at the principal amount thereof or of such portion, into duly authorized, fully paid and nonassessable shares of Common Stock of the Company at the Conversion Price in effect at the time of conversion.

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In the case of a Note (or a portion thereof) called for redemption, such conversion right in respect of the Note (or such portion thereof) so called, shall expire at the close of business on the Business Day immediately preceding the Redemption Date, unless the Company defaults in making the payment due upon redemption. In the case of a Change in Control for which the Holder exercises its repurchase right with respect to a Note (or a portion thereof), such conversion right in respect of the Note (or portion thereof) shall expire at the close of business on the Business Day immediately preceding the Repurchase Date.

The Conversion Price shall be initially equal to \$40 per share of Common Stock. The Conversion Price shall be adjusted under certain circumstances as provided in the Indenture.

To exercise the conversion right, the Holder must surrender this Note (or portion thereof) duly endorsed or assigned to the Company or in blank, at the office of the Conversion Agent, accompanied by a duly signed conversion notice to the Company in the form attached to this Note.

No fractional shares of Common Stock will be issued upon conversion of any Notes. Instead of any fractional share of Common Stock which would otherwise be issued upon conversion of such Notes, the Company shall pay a cash adjustment as provided in the Indenture.

8. Events of Default and Remedies.  
-----

If any Event of Default with respect to the Notes shall occur and be continuing, including any Event of Default specific to the Notes as set forth in Article VI of the Supplemental Indenture, the principal amount of all the Notes may be declared due and payable immediately in the manner and with the effect provided in the Indenture.

9. Amendments and Waivers.  
-----

The Company and the Trustee may, subject to certain exceptions as therein provided, enter into an indenture or indentures supplemental to the Indenture to add any provisions to or to change or eliminate any provisions of the Indenture or of any other indenture supplemental thereto or to modify the rights of the Holders of Securities of any series with the written consent of the Holders of not less than a majority of the aggregate principal amount of the Outstanding Securities of each series adversely affected by such supplemental indenture.

The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes at the time Outstanding, on behalf of the Holders of all the Notes, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

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10. Denominations; Transfer; Exchange.  
-----

The Notes are issuable in registered form, without coupons, in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture.

In the event of a redemption in part, the Company will not be required (a) to register the transfer of, or exchange, Notes for a period beginning 15 days immediately preceding any selection of Notes for such redemption and ending on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Notes to be redeemed, or (b) to register the transfer of, or exchange, any such Notes, or portion thereof, called for redemption.

In the event of redemption, conversion or repurchase of the Notes in part only, a new Note or Notes for the unredeemed, unconverted or unredeemed portion thereof will be issued in the name of the Holder hereof.

11. Persons Deemed Owners.  
-----

The registered Holder of this Note shall be treated as its owner for all purposes.

12. Abbreviations.  
-----

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COMMITTEE (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=Custodian) and U/G/M/A (=Uniform Gifts to Minors Act).

13. CUSIP Numbers.  
-----

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Company has caused a CUSIP number to be printed on this Note and the Trustee may use CUSIP numbers in notices of redemption or repurchase as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on this Note or as contained in any notice of redemption or repurchase and reliance may be placed only on the other identification numbers placed thereon.

14. Governing Law.  
-----

The Indenture and this Note shall be governed by, and construed in accordance with, the law of the State of New York.

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ASSIGNMENT FORM

To assign this Note, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Note to:

(Insert assignee's soc. sec. or tax I.D. no.)

\_\_\_\_\_  
\_\_\_\_\_

(Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Dated: \_\_\_\_\_

Your Name: \_\_\_\_\_

(Print your name exactly as it appears on the face of this Note)

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee(2): \_\_\_\_\_

-----  
(2) Participant in a recognized Signature Guarantee Medallion Program  
(or other signature guarantor acceptable to the Trustee).

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CONVERSION NOTICE

-----  
TO: Continental Airlines, Inc.  
Dept. HQSFN  
1600 Smith Street  
Houston, Texas 77002  
-----

The undersigned registered owner of this Note hereby irrevocably exercises the option to convert this Note, or the portion hereof (which is \$1,000 principal amount or an integral multiple thereof) below designated, into shares of Common Stock in accordance with the terms of the Indenture referred to in this Note, and directs that the shares issuable and deliverable upon such conversion, together with any check in payment for fractional shares and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If shares or any portion of this Note not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest accompanies this Note.

Dated: \_\_\_\_\_ Your Name: \_\_\_\_\_

(Print your name exactly as it appears on the face of this Note)

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee(3): \_\_\_\_\_

Social Security or other Taxpayer  
Identification Number: \_\_\_\_\_

Principal amount to be converted (if less than all): \$ \_\_\_\_\_

-----  
(3) Participant in a recognized Signature Guarantee Medallion Program  
(or other signature guarantor acceptable to the Trustee).

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Fill in for registration of shares (if to be issued) and Notes (if to be delivered) other than to and in the name of the registered Holder:

-----  
(Name)

-----  
(Street Address)

-----  
(City, State and Zip Code)

-----  
(Taxpayer Identification Number)

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NOTICE OF EXERCISE OF REPURCHASE RIGHT

-----  
TO: Continental Airlines, Inc.  
Dept. HQSFN  
1600 Smith Street  
Houston, Texas 77002  
-----

The undersigned registered owner of this Note hereby irrevocably acknowledges receipt of a notice from Continental Airlines, Inc. (the "Company") as to the occurrence of a Change in Control with respect to the Company and requests and instructs the Company to repay the entire principal amount of this Note, or the portion thereof (which is \$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the terms of the Indenture referred to in this Note, together with interest accrued and unpaid to, but excluding, such date, to the registered Holder hereof, in cash, unless a different name has been indicated below. If any portion of this Note not repurchased are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

Dated: \_\_\_\_\_ Your Name: \_\_\_\_\_

(Print your name exactly as it appears on the face of this Note)

Your Signature: \_\_\_\_\_

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee(4): \_\_\_\_\_

Social Security or other Taxpayer Identification Number: \_\_\_\_\_

Principal amount to be repurchased (if less than all): \$ \_\_\_\_\_

-----  
(4) Participant in a recognized Signature Guarantee Medallion Program  
(or other signature guarantor acceptable to the Trustee).

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Fill in for cash payment and Notes (if to be delivered) other than to and in the name of the registered Holder:

-----  
(Name)

-----  
(Street Address)

-----  
(City, State and Zip Code)

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SCHEDULE OF EXCHANGES (5)

The following exchanges, redemptions, repurchases or conversions of a part of this Global Security for Definitive Notes have been made:

Date of Transaction	Amount of decrease in Principal Amount of this Global Security	Amount of increase in Principal Amount of this Global Security	Principal Amount of this Global Security Following such decrease (or increase)	Signature of authorized signatory of Trustee
---------------------	--	--	--	--

-----  
(5) This schedule should be included only if the Note is issued in global form.

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CONTINENTAL AIRLINES, INC.  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (IN MILLIONS)  
 INCLUDING AMERICA WEST GAIN

	2001	2000	1999	1998	1997
Earnings:					
Earnings (Loss) Before Income Taxes, Minority Interest and Extraordinary Items	(114)	570	798	648	639
Plus:					
Interest Expense (a)	295	251	233	178	166
Capitalized Interest	(56)	(57)	(55)	(55)	(35)
Amortization of Capitalized Interest	18	16	13	5	3
Portion of Rent Expense Representative of Interest Expense (b) @ 65%	834	778	714	461	400
	977	1,558	1,703	1,237	1,173
Fixed Charges:					
Interest Expense (a)	295	251	233	178	166
Portion of Rent Expense Representative of Interest Expense (a)	834	778	714	461	400
Total Fixed Charges	1,129	1,029	947	639	566
Coverage Adequacy (Deficiency)	(152)	529	756	598	607
Coverage Ratio	0.87	1.51	1.80	1.94	2.07

(a) Includes Fair Market Value Adjustments resulting from the Company's emergence from bankruptcy.

(b) Interest calculated at 65% of rent payments

## Capitalization

The following table sets forth the consolidated cash and cash equivalents and capitalization (including current maturities) of Continental Airlines, Inc. (the "Company") as of December 31, 2001 and as adjusted to give effect to the issuance of the 4.50% Convertible Notes due 2007 and the receipt by the Company of net proceeds of approximately \$169.8 million.

	DECEMBER 31, 2001	
	ACTUAL	AS ADJUSTED
	(IN MILLIONS OF DOLLARS)	
	(UNAUDITED)	
Cash and Cash Equivalents.....	\$ 1,132	\$ 1,302
Current Maturities:		
Current Maturities of Long-Term Debt.....	328	328
Current Maturities of Capital Leases.....	27	27
Total.....	355	355
Long-Term Obligations:		
Long-Term Debt.....	3,928	4,103
Capital Leases.....	270	270
Total.....	4,198	4,373
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures.....	243	243
Stockholders' Equity:		
Preferred Stock, Series B.....	--	--
Common Stock.....	1	1
Additional Paid-in Capital.....	1,069	1,069
Retained Earnings.....	1,361	1,361
Accumulated Other Comprehensive Income.....	(130)	(130)
Treasury Stock.....	(1,140)	(1,140)
Total Stockholders' Equity.....	1,161	1,161
Total Capitalization (including Current Maturities).....	\$ 5,957	\$ 6,132