AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 31, 1998
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CALAIR CAPITAL CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	6749	76-0566170
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2929 ALLEN PARKWAY, SUITE 2010
HOUSTON, TEXAS 77019
(713) 834-2950
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CALAIR L.L.C.
(Exact name of Registrant as specified in its charter)

DELAWARE	6749	76-0566172
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

C/O CALFINCO INC.
2929 ALLEN PARKWAY, SUITE 2010
HOUSTON, TEXAS 77019
(713) 834-2950
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

DELAWARE	4512	74-2099724
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

JEFFERY A. SMISEK, ESQ.
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL AND SECRETARY
CONTINENTAL AIRLINES, INC.
2929 ALLEN PARKWAY, SUITE 2010
HOUSTON, TEXAS 77019
(713) 834-2950
(Name, address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Copy to:

SCOTT N. WULFE
VINSON & ELKINS L.L.P.
2300 FIRST CITY TOWER
HOUSTON, TEXAS 77002-6760
(713) 758-2750

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SENIOR NOTE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
8 1/8% Senior Notes due 2008.....	$112,300,000	100%	$112,300,000	$33,129
Guarantee of 8 1/8% Senior Notes due 2008(2).....	$112,300,000	N/A	N/A	N/A(3)

(1) Estimated solely for purposes of calculating the registration fee.
(2) Continental Airlines, Inc. has irrevocably and unconditionally guaranteed on a unsecured senior basis the 8 1/8% Senior Notes Due 2008 of Calair L.L.C. and Calair Capital Corporation.
(3) Pursuant to Rule 457(n), no separate fee is required to be paid in respect of guarantee of the 8 1/8% Senior Notes Due 2008, which is being registered concurrently.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JULY 31, 1998

PROSPECTUS

CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
OFFER TO EXCHANGE
8 1/8% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
FOR ALL OUTSTANDING 8 1/8% SENIOR NOTES DUE 2008

PAYMENT FULLY AND UNCONDITIONALLY GUARANTEED ON AN UNSECURED, SENIOR BASIS BY

CONTINENTAL AIRLINES, INC.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON , 1998, UNLESS EXTENDED

Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation, and Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair, hereby offer, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying letter of transmittal (the "Letter of Transmittal," and together with this Prospectus, the "Exchange Offer"), to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental and which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement (as defined herein) of which this Prospectus constitutes a part, for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental (the "Old Notes"). The form and terms of the Exchange Notes are identical in all material respects to the form and terms of the Old Notes, except that the Exchange Notes do not contain terms with respect to transfer restrictions (other than transfer restrictions relating to certain Employee Retirement Income Security Act of 1974, as amended ("ERISA"), matters) or interest rate increases. The Exchange Notes will evidence the same debt as the Old Notes and will be issued under and be entitled to the benefits of the same Indenture (as defined herein). The Exchange Notes and the Old Notes are collectively referred to herein as the "Notes."

The Notes are unsecured, senior obligations of the Issuers ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuers. The Old Notes have been, and the New Notes will be upon original issue, fully and unconditionally guaranteed on an unsecured, senior basis by Continental (the "Parent Guarantee"). The Parent Guarantee is an unsecured, senior obligation of Continental ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of Continental, and senior in right of payment to all existing and future obligations of Continental expressly subordinated in right of payment to the Parent Guarantee. The Notes and the Parent Guarantee are effectively subordinated in right of payment to any secured senior obligations of the Issuers and Continental, respectively, with respect to the assets of the Issuers and Continental, respectively, securing such

(Cover continued on next page)

SEE "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN EVALUATING AN INVESTMENT IN THE NOTES.

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

The date of this Prospectus is , 1998

obligations. The Notes and the Parent Guarantee are also effectively subordinated to all existing and future liabilities of the subsidiaries of the Issuers and Continental, respectively. As of March 31, 1998, Continental had $2.0 billion (including current maturities) of long-term debt and capital lease obligations on a consolidated basis of which approximately $1.4 billion was secured long-term debt and capital lease obligations of Continental and $146 million was long-term debt and capital lease obligations of Continental's subsidiaries, and on a pro forma basis giving effect to the issuance of the Old Notes, the Issuers would have had no indebtedness outstanding other than the Notes. The terms of the Notes and the Parent Guarantee do not limit the Issuers' or Continental's or any of their respective subsidiaries' ability to incur additional indebtedness or to mortgage or pledge any of their respective assets or to pay dividends or make other distributions on, or redeem or repurchase, capital stock. See "Capitalization" and "Description of the Notes -- Ranking."

The Old Notes were sold by the Issuers on April 17, 1998 to the Initial Purchasers (as defined herein) in a transaction not registered under the Securities Act in reliance upon Section 4(2) of the Securities Act. The Old Notes were thereupon offered and sold by the Initial Purchasers only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and to non-U.S. persons pursuant to offers and sales that occurred outside the United States within the meaning of Regulation S under the Securities Act, each of whom agreed to comply with certain transfer restrictions and other conditions. Accordingly, the Old Notes may not be offered, resold or otherwise transferred unless registered under the Securities Act or unless an applicable exemption from the registration requirements of the Securities Act is available. The Exchange Notes are being offered hereunder in order to satisfy the obligations of the Issuers and the Company under the Registration Rights Agreement (as defined herein) entered into with the Initial Purchasers in connection with the offering of the Old Notes (the "Old Notes Offering").

The Exchange Notes will bear interest at the rate of 8% per annum, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 1998, to holders of record on the March 15 and September 15 immediately preceding such interest payment date. Holders of Exchange Notes of record on September 15, 1998 will receive interest on October 1, 1998 from the date of issuance of the Exchange Notes, plus an amount equal to the accrued interest on the Old Notes from the date of issuance of the Old Notes, April 17, 1998, to the date of exchange thereof. Interest on the Old Notes accepted for exchange will cease to accrue upon issuance of the Exchange Notes.

The Issuers and the Company will accept for exchange any and all Old Notes that are validly tendered on or prior to 5:00 p.m., New York City time, on the date the Exchange Offer expires, which will be , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended. Tenders of Old Notes may be at any time prior to 5:00 p.m., New York City time, on the business day prior to the Expiration Date (as defined herein), unless previously accepted for exchange. The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange. However, the Exchange Offer is subject to certain conditions which may be waived by the Issuers and the Company and to the terms and provisions of the Registration Rights Agreement. Old Notes may be tendered only in denominations of $1,000 principal amount and integral multiples thereof. The Issuers and the Company have agreed to pay the expenses of the Exchange Offer. See "The Exchange Offer."

Based on interpretations of the Securities Act by the staff of the Securities and Exchange Commission (the "Commission" or "SEC"), as set forth in no-action letters issued to third parties, including Exxon Capital Holdings Corporation, SEC No-Action Letter (available April 13, 1989), Morgan Stanley & Co. Incorporated, SEC No-Action Letter (available June 5, 1991) and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993) (collectively, the "Exchange Offer No-Action Letters"), the Issuers and the Company believe that the Exchange Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a Participating Broker-Dealer (as defined below), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such Exchange Notes and have no arrangement with any person to participate in a distribution of such Exchange Notes. By tendering the Old Notes in exchange for Exchange Notes, each holder will represent to the Issuers or the Company that:

(i) it is not an affiliate of the Issuers or the Company (as defined in Rule 405 under the Securities Act) or a broker-dealer tendering Old Notes acquired directly from the Issuers or the Company for its own account; (ii) any Exchange Notes to be received by it will be acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding to participate in a distribution of the Exchange Notes. If a holder of Old Notes is an affiliate of the Issuers or the Company or is a broker-dealer who purchased Old Notes directly from the Issuers for its own account or is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer (a "Participating Broker-Dealer") must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. Pursuant to the Registration Rights Agreement, the Issuers and the Company have agreed that until the close of business 180 days after the Expiration Date they will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution."

Neither the Issuers nor the Company will receive any proceeds from the Exchange Offer. No underwriter is being utilized in connection with the Exchange Offer.

To the extent Old Notes are tendered and accepted in the Exchange Offer, the aggregate principal amount of Old Notes outstanding will decrease with a resulting decrease in the liquidity in the market for the Old Notes. Upon consummation of the Exchange Offer, holders of the Old Notes who were eligible to participate in the Exchange Offer but who did not tender their Old Notes will not be entitled to certain rights under the Registration Rights Agreement and such Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity in the market for the Old Notes could be adversely affected.

The Exchange Notes generally will be freely transferable (subject to the restrictions discussed elsewhere herein) but will be a new issue of securities for which there is not initially a market. Accordingly, no assurance is given as to the development or liquidity of or the trading market for the Exchange Notes. Chase Securities Inc., Credit Suisse First Boston and Morgan Stanley Dean Witter (the "Initial Purchasers") have advised the Issuers and Continental that they currently intend to make a market, if permitted by applicable laws and regulations, in the Exchange Notes; however, the Initial Purchasers are not obligated to do so, and any such market making may be discontinued at any time without notice. The Issuers do not intend to apply for a listing of the Exchange Notes, on any securities exchange or for their quotation through any automated dealer quotation system.

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL THE ISSUERS OR THE COMPANY ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF OLD NOTES IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES OR BLUE SKY LAWS OF SUCH JURISDICTION.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. THESE DOCUMENTS ARE AVAILABLE UPON REQUEST FROM CONTINENTAL AIRLINES, INC., 2929 ALLEN PARKWAY, SUITE 2010, HOUSTON, TEXAS 77019, ATTENTION: SECRETARY, TELEPHONE (713) 834-2950. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY , 1998.

THIS PROSPECTUS INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING THE FUTURE FINANCIAL POSITION OF THE ISSUERS OR CONTINENTAL, AS WELL AS CERTAIN OF THOSE RELATING TO TRANSACTIONS REGARDING OR WITH NORTHWEST AIRLINES, INC. ("NORTHWEST") ARE FORWARD-LOOKING STATEMENTS. ALTHOUGH EACH OF THE ISSUERS AND CONTINENTAL BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, NEITHER THE ISSUERS NOR CONTINENTAL CAN GIVE ANY ASSURANCE THAT SUCH EXPECTATIONS WILL BE CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM SUCH EXPECTATIONS ARE DISCLOSED UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS.

AVAILABLE INFORMATION

This Prospectus constitutes part of a registration statement on Form S-4 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") filed by the Issuers and the Company with the Commission under the Securities Act. This Prospectus omits certain of the information set forth in the Registration Statement. Reference is hereby made to the Registration Statement and to the exhibits relating thereto for further information with respect to the Issuers and the Company and the securities offered hereby. Statements contained herein concerning the provisions of contracts or other documents are not necessarily complete, and each such statement is qualified in its entirety by reference to the copy of the applicable contract or other document filed with the Commission. Copies of the Registration Statement and the exhibits thereto are on file at the offices of the Commission and may be obtained upon payment of the fee prescribed by the Commission, or may be examined without charge at the public reference facilities of the Commission described below.

As a result of the Exchange Offer, Calair will become subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Calair Capital is not currently, and as a result of the Exchange Offer will not become, subject to the periodic reporting and other informational requirements of the Exchange Act. Information with respect to Calair Capital will be provided, to the extent required by the Commission, in the required filings made by Calair and Continental. Continental is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports and other information with the Commission. Such reports and other information concerning Continental may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the regional offices of the Commission located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and at Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material may be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such material may also be accessed electronically by means of the Commission's Internet web site (http://www.sec.gov) which contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, reports, proxy statements and other information concerning Continental may be inspected and copied at the offices of the New York Stock Exchange, Inc. ("NYSE"), 20 Broad Street, New York, New York 10005.

While any Old Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3), each Issuer will make available, upon the request of any holder of an Old Note or a prospective purchaser thereof designated by such holder, such information as is specified in paragraph (d)(4) of Rule 144A, to such holder or prospective purchaser, in order to permit compliance by such holder with Rule 144A in connection with the resale of such Note by such holder unless, at the time of such request, the applicable Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. Any such request should be directed to the Issuers c/o CALFINCO Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950.

The Indenture provides that Continental will file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not Continental has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that Continental would be required to file if it were subject to Section 13 or 15 of the Exchange Act. Continental will also be required (a) to file with the Trustee copies of such reports and documents within 15 days after the date on which Continental files such reports and documents with the Commission or the date on which Continental would be required to file such reports and documents if Continental were so required, and (b) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at Calair's cost copies of such reports and documents to any holder of Notes promptly upon written request. The Issuers will not be required to file, provide or furnish with or to any Person any report or information except as required by Section 13 or 15 of the Exchange Act and as described above.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by Continental with the Commission (File No. 0-9781) are hereby incorporated by reference in this Prospectus: (i) Continental's Annual Report on Form 10-K for the year ended December 31, 1997, filed on March 19, 1998, (ii) Continental's Current Reports on Form 8-K dated January 25, February 20, March 3, April 21, and July 30, 1998, and (iii) Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

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

Continental will provide without charge to any person to whom a copy of this Prospectus has been delivered, upon written or oral request, a copy of any or all of the foregoing documents incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents). Requests should be directed to Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Secretary, telephone (713) 834-2950. In order to ensure timely delivery of the documents, any request should be made by , 1998.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND THE ACCOMPANYING LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUERS, THE COMPANY OR THE EXCHANGE AGENT. NEITHER THE DELIVERY OF THIS PROSPECTUS OR THE ACCOMPANYING LETTER OF TRANSMITTAL, OR BOTH TOGETHER, NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUERS OR THE COMPANY SINCE THE DATE HEREOF. NEITHER THIS PROSPECTUS NOR THE ACCOMPANYING LETTER OF TRANSMITTAL, NOR BOTH TOGETHER, CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PROSPECTUS SUMMARY

The following summary information does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and financial statements, and the related notes thereto, included elsewhere or incorporated by reference in this Prospectus. As used in this Prospectus, the terms "Continental" and "Company" refer to Continental Airlines, Inc. and its subsidiaries, unless the context indicates otherwise.

THE ISSUERS

Calair, a Delaware limited liability company, was formed on March 31, 1998, for the purpose of acquiring certain takeoff and landing rights (collectively, the "Slots") at Chicago O'Hare Airport ("Chicago O'Hare"), Ronald Reagan Washington National Airport ("Washington National") and LaGuardia Airport ("LaGuardia") from Continental, pursuant to the Transaction (as defined herein). Upon the closing of the Transaction, the members in Calair consisted of CALFINCO Inc. ("Calfinco"), a wholly owned subsidiary of Continental, and Chase Equity Associates, L.P. ("CEA"), an affiliate of Chase Securities Inc., one of the Initial Purchasers. Upon the closing of the Transaction, Calfinco and CEA owned member interests in Calair of 76% and 24%, respectively. Pursuant to the Transaction, Calair acquired the Slots from Continental on April 17, 1998 and Continental leased the Slots back from Calair for a 10-year period. Calair Capital, a Delaware corporation and a wholly owned subsidiary of Calair, was formed specifically to effect the Old Notes Offering. The Notes are joint and several obligations of Calair and Calair Capital, although Calair received all the net proceeds of the Old Notes Offering, and are fully and unconditionally guaranteed by Continental. Calair Capital is a shell company with no operations. Consequently, financial statements of Calair Capital are not included in this Prospectus because they are not meaningful. The consolidated financial statements of Calair reflect the operations of the Issuers.

The principal executive offices of Calair are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and the telephone number is (713) 834-2950. The principal executive offices of Calair Capital are also located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and the telephone number is (713) 834-2950.

CONTINENTAL

Continental is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles for the first six months of 1998) and, together with its wholly owned subsidiaries, Continental Express, Inc. ("Express") and Continental Micronesia, Inc. ("CMI"), each a Delaware corporation, serves 193 airports worldwide. As of June 30, 1998, Continental flew to 131 domestic and 62 international destinations and offered additional connecting service through alliances with leading airlines.

Recent Developments

The Company recently announced its unaudited 1998 second quarter and year to date results of operations. The Company reported pre-tax income of $275 million for the second quarter of 1998, as compared to $208 million for the 1997 quarter, on operating revenue of $2.0 billion for the second quarter of 1998 as compared to $1.8 billion for the 1997 quarter. After taxes and a $4.0 million extraordinary charge, the Company reported net income of $163 million ($2.68 basic and $2.06 diluted earnings per share) for the second quarter of 1998 compared to $128 million ($2.22 basic and $1.63 diluted earnings per share) in the comparable period of 1997.

The Company reported pre-tax income of $412 million for the first six months of 1998, as compared to $332 million for the 1997 period, on operating revenue of $3.9 billion for the first six months of 1998 as compared to $3.5 billion for the 1997 period. After taxes and a $4.0 million extraordinary charge, the Company reported net income of $244 million ($4.08 basic and $3.12 diluted earnings per share) for the first six months of 1998 compared to $202 million ($3.50 basic and $2.58 diluted earnings per share) in the comparable period of 1997. See "Continental -- Recent Developments."

The principal executive offices of Continental are located at 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, and the telephone number is (713) 834-2950.

THE TRANSACTION

Continental sold the Slots to Calair for $151.1 million pursuant to the terms of a Sale Agreement (as defined herein) between Continental and Calair. The acquisition of the Slots was funded with a combination of debt and equity, which included $31.7 million in capital contributions from Calfinco, $10.0 million in capital contributions from CEA and the net proceeds of the Old Notes Offering. Continental and Calair executed a Slot Lease Agreement (as defined herein) pursuant to which Continental agreed to lease the Slots back from Calair for a 10-year period. Pursuant to the terms of a Redemption Option Agreement (as defined herein) between Calair and CEA, Calair has the right to redeem 50% of CEA's member interest (i.e., 12% of Calair) on April 17, 2003, the fifth anniversary of the closing date of the acquisition, and has the right to redeem all of CEA's member interest (either 12% of Calair if Calair has previously exercised its fifth anniversary redemption option, or 24% otherwise) upon the occurrence of certain events described in the Redemption Option Agreement and the Company Agreement (as defined herein) and on April 17, 2008, the tenth anniversary of the closing date of the acquisition of the Slots. The acquisition and lease of the Slots and the execution of the Transaction Documents (as defined herein) are collectively referred to herein as the "Transaction."

THE EXCHANGE OFFER

Exchange and Registration Rights Agreement.....	Pursuant to an Exchange and Registration Rights Agreement among the Issuers, Continental and the Initial Purchasers (the "Registration Rights Agreement"), each of the Issuers and Continental have agreed for the benefit of the holders of the Notes, at no cost to such holders, either (i) to effect the Exchange Offer to exchange the Old Notes for the Exchange Notes issued by the Issuers, which have terms identical in all material respect to the Old Notes (except that the Exchange Notes do not contain terms with respect to transfer restrictions (other than transfer restrictions relating to certain ERISA matters) or interest rate increases as described below and the Exchange Notes are initially available only in book-entry form) or (ii) (a) if any changes in law or applicable interpretations thereof by the staff of the Commission do not permit the Issuers to effect the Exchange Offer, (b) if for any other reason the registration statement filed in connection with an Exchange Offer (the "Exchange Offer Registration Statement") is not declared effective within 180 days after the closing date of the Old Notes Offering (the "Closing Date") or if the Exchange Offer is not consummated within 210 days after the Closing Date, (c) at the request of a holder (other than an Initial Purchaser) not eligible to participate in the Exchange Offer or (d) at the request of an Initial Purchaser under certain other circumstances described in the Registration Rights Agreement, to register the Notes for resale under the Securities Act through a shelf registration statement (the "Shelf Registration Statement"). In the event that neither an Exchange Offer Registration Statement nor a Shelf Registration Statement has been declared effective by the Commission (each, a "Registration Event") on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Notes shall be increased by 0.50%, from and including such 210th day to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which all of the Notes otherwise become

	transferable by holders of the Notes (other than affiliates or former affiliates of the Issuers or Continental) without further registration under the Securities Act. If the Shelf Registration Statement (if filed) ceases to be effective at any time during the period specified by the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate per annum payable in respect of the Notes shall be increased by 0.50% from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of such period specified by the Registration Rights Agreement). The Registration Statement of which this Prospectus is a part constitutes the Exchange Offer Registration Statement. See "The Exchange Offer -- Terms of the Exchange Offer."
The Exchange Offer.....	Exchange Notes are being offered in exchange for an equal principal amount of Old Notes. As of the date hereof, $112,300,000 aggregate principal amount of Old Notes is outstanding. Old Notes may be tendered only in integral multiples of $1,000.
Resale of Exchange Notes...	Based on interpretations of the Securities Act by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Issuers and the Company believe that the Exchange Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a Participating Broker-Dealer), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such Exchange Notes and have no arrangement with any person to participate in a distribution of such Exchange Notes. By tendering the Old Notes in exchange for Exchange Notes, each holder will represent to the Issuers and the Company that: (i) it is not an affiliate of the Issuers or the Company (as defined under Rule 405 of the Securities Act) or a broker-dealer tendering Old Notes acquired directly from the Issuers or the Company for its own account; (ii) any Exchange Notes to be received by it were acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding to participate in a distribution of the Exchange Notes. If a holder of Old Notes is an affiliate of the Issuers or the Company or is a broker-dealer who purchased Old Notes directly from the Issuers for its own account or is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter"

	within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. The Issuers and the Company have agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, they will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, it may be necessary to qualify for sale or register the Exchange Notes prior to offering or selling such Exchange Notes. The Issuers and the Company have agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the Exchange Notes for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit the holders of Exchange Notes to trade Exchange Notes without any restrictions or limitations under the securities laws of the several states of the United States.
Consequences of Failure to Exchange Old Notes.....	Upon consummation of the Exchange Offer, subject to certain exceptions, holders of Old Notes who do not exchange their Old Notes for Exchange Notes in the Exchange Offer will no longer be entitled to registration rights and will not be able to offer or sell their Old Notes, unless such Old Notes are subsequently registered under the Securities Act (which, subject to certain limited exceptions, the Issuers and the Company will have no obligation to do), except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. See "Risk Factors -- Risk Factors Relating to the Issuers, the Exchange Notes and the Exchange Offer -- Consequences of Failure to Exchange" and "The Exchange Offer -- Terms of the Exchange Offer."
Expiration Date.....	5:00 p.m., New York City time, on , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended.
Interest on the Exchange Notes.....	The Exchange Notes will accrue interest at the applicable per annum rate set forth on the cover page of this Prospectus, from the last date on which interest was paid on the Old Notes surrendered in exchange therefor or, if no interest has been paid, from the date of issuance of the Old Notes. Interest on the Exchange Notes is payable on April 1 and October 1 of each year.
Conditions to the Exchange Offer.....	The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange. However, the Exchange Offer is subject to certain customary conditions, which may be waived by the Issuers and the Company. See "The Exchange Offer -- Certain Conditions to the Exchange Offer." Except for the requirements of applicable federal and state securities laws, there are no federal or

	state regulatory requirements to be complied with or obtained by the Issuers and the Company in connection with the Exchange Offer.
Procedures for Tendering Old Notes.....	Each holder of Old Notes wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with the Old Notes to be exchanged and any other required documentation to the Exchange Agent (as defined herein) at the address set forth herein or effect a tender of Old Notes pursuant to the procedures for book-entry transfer as provided for herein. See "The Exchange Offer -- Procedures for Tendering" and "-- Book Entry Transfer."
Guaranteed Delivery Procedures.....	Holders of Old Notes who wish to tender their Old Notes and whose Old Notes are not immediately available or who cannot deliver their Old Notes and a properly completed Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date may tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures."
Withdrawal Rights.....	Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the business day prior to the Expiration Date. To withdraw a tender of Old Notes, a written notice (telegram, telex, facsimile transmission or letter) of withdrawal must be received by the Exchange Agent at its address set forth herein under "The Exchange Offer -- Exchange Agent" prior to 5:00 p.m., New York City time, on the Expiration Date.
Acceptance of Old Notes and Delivery of Exchange Notes.....	Subject to certain conditions, any and all Old Notes that are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The Exchange Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer."
Tax Considerations.....	The exchange of Exchange Notes for Old Notes should not be a sale or exchange or otherwise a taxable event for federal income tax purposes. See "Tax Considerations."
Exchange Agent.....	Bank One, N.A. is serving as exchange agent (the "Exchange Agent") in connection with the Exchange Offer.
Fees and Expenses.....	All expenses incident to the consummation of the Exchange Offer and compliance with the Registration Rights Agreement will be borne by the Issuers and the Company. See "The Exchange Offer -- Fees and Expenses."
Use of Proceeds.....	There will be no proceeds payable to the Issuers or Continental from the issuance of the Exchange Notes pursuant to the Exchange Offer. The net proceeds from the Old Notes Offering (approximately $110 million), together with capital contributions from Calfinco and CEA, were used by Calair to purchase the Slots from Continental in connection with the

Transaction. Continental used the proceeds from the sale of the Slots for general corporate purposes. See "The Private Placement and Use of Proceeds."

SUMMARY OF TERMS OF EXCHANGE NOTES

The Exchange Offer relates to the exchange of up to $112,300,000 aggregate principal amount of Old Notes for up to an equal aggregate principal amount of Exchange Notes. The Exchange Notes will be entitled to the benefits of the same Indenture that governs the Old Notes and will govern the Exchange Notes. The form and terms of the Exchange Notes are the same in all material respects as the form and terms of the Old Notes, except that the Exchange Notes do not contain terms with respect to transfer restrictions (other than transfer restrictions relating to certain ERISA matters) or interest rate increases. See "Description of the Notes."

Issuers.....	Calair L.L.C. and Calair Capital Corporation.
Securities Offered.....	$112,300,000 principal amount of 8 1/8% Senior Notes due 2008.
Maturity Date.....	April 1, 2008.
Interest Payment Dates.....	April 1 and October 1, commencing on October 1, 1998.
Sinking Fund.....	None.
Mandatory Redemption.....	None.
Optional Redemption.....	The Notes are redeemable at the option of the Issuers, in whole or in part, at any time and from time to time, on not less than 20 nor more than 60 days' prior notice, at a redemption price equal to the sum of (i) the principal amount thereof on the redemption date, (ii) accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on relevant record dates to receive interest due on an interest payment date), plus (iii) a Make-Whole Premium, if any. See "Description of the Notes -- Redemption."
Parent Guarantee.....	Continental has fully and unconditionally guaranteed, pursuant to the Indenture, the due and punctual payment of the principal of, premium, if any, and interest on, the Notes when the same shall become due, whether by acceleration or otherwise. See "Description of the Notes -- Parent Guarantee."
Ranking.....	The Notes are unsecured, senior obligations of the Issuers ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuers. The Parent Guarantee is an unsecured, senior obligation of Continental ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of Continental, and senior in right of payment to all existing and future obligations of Continental expressly subordinated in right of payment to the Parent Guarantee. The Notes and the Parent Guarantee are effectively subordinated in right of payment to any secured senior obligations of the Issuers and Continental, respectively, with respect to the assets of the Issuers and Continental, respectively, securing such obligations. The Notes and the Parent Guarantee are effectively subordinated to all existing and future liabilities of the subsidiaries of the Issuers and Continental, respectively. As of March 31, 1998, Continental had $2.0 billion (including current maturities) of long-term debt and capital lease obligations on a consolidated basis of

	which approximately $1.4 billion was secured long-term debt and capital lease obligations of Continental and $146 million was long-term debt and capital lease obligations of Continental's subsidiaries, and on a pro forma basis giving effect to the issuance of the Old Notes, the Issuers would have had no indebtedness outstanding other than the Notes. See "Description of the Notes -- Ranking."
Absence of a Public Market.....	The Exchange Notes generally will be freely transferable (subject to the restrictions discussed elsewhere herein) but will be a new issue of securities for which there is not initially a market. Accordingly, no assurance is given as to the development or liquidity of or the trading market for the Exchange Notes. The Initial Purchasers have advised the Issuers and Continental that they currently intend to make a market, if permitted by applicable laws and regulations, in the Exchange Notes; however, the Initial Purchasers are not obligated to do so, and any such market making may be discontinued at any time without notice. The Issuers do not intend to apply for a listing of the Exchange Notes, on any securities exchange or for their quotation through any automated dealer quotation system.

RISK FACTORS

For a discussion of risk factors that prospective holders of the Exchange Notes should consider carefully before tendering their Old Notes in the Exchange Offer, see "Risk Factors" beginning on page 16.

SUMMARY FINANCIAL AND OPERATING DATA OF CONTINENTAL

The following tables summarize certain consolidated financial data and certain operating data with respect to Continental. The following selected consolidated financial data for the three months ended March 31, 1998 and 1997 are derived from the unaudited consolidated financial statements of Continental incorporated by reference in this Prospectus. The following selected consolidated financial data for the years ended December 31, 1997, 1996 and 1995 are derived from the audited consolidated financial statements of Continental incorporated by reference in this Prospectus. Continental's selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, such consolidated financial statements, including the notes thereto.

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		
	1998(1)	1997(1)	1997(1)	1996(1)	1995(1)
	(UNAUDITED)				
	(IN MILLIONS, EXCEPT PER SHARE DATA AND RATIOS)				
Financial Data -- Operations:					
Operating Revenue	$1,854	$1,698	$7,213	$6,360	$5,825
Operating Expenses	1,704	1,552	6,497	5,835(2)	5,440(3)
Operating Income	150	146	716	525	385
Nonoperating Expense, net	(13)	(22)	(76)	(97)	(75)(4)
Income before Income Taxes, Minority Interest and Extraordinary Loss	137	124	640	428	310
Net Income	$ 81	$ 74	$ 385	$ 319	$ 224
Earnings per Common Share	$ 1.38	$ 1.28	$ 6.65	$ 5.75	$ 4.07
Earnings per Common Share Assuming Dilution	$ 1.06	$ .96	$ 4.99	$ 4.17	$ 3.37
Ratio of Earnings to Fixed Charges(5)	1.83	1.88	2.07	1.81	1.53

	THREE MONTHS ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(UNAUDITED)				
Operating Data (Jet Operations Only)(6):					
Revenue passenger miles (millions)(7)	12,072	10,891	47,906	41,914	40,023
Available seat miles (millions)(8)	17,523	15,832	67,576	61,515	61,006
Passenger load factor(9)	68.9%	68.8%	70.9%	68.1%	65.6%
Breakeven passenger load factor(10)	60.6%	59.0%	60.0%	60.7%(13)	60.8%
Passenger revenue per available seat mile (cents)(11)	9.12	9.29	9.19	8.93	8.20
Operating cost per available seat mile (cents)(12)	9.14	9.27	9.07	8.77(13)	8.36
Average yield per revenue passenger mile (cents)(14)	13.23	13.51	12.96	13.10	12.51
Average length of aircraft flight (miles)	1,015	925	967	896	836

		DECEMBER 31,	
	MARCH 31, 1988	1997	1996
	(UNAUDITED)		
	(IN MILLIONS OF DOLLARS)		
Financial Data -- Balance Sheet:			
Assets:			
Cash and Cash Equivalents, including restricted cash and cash equivalents of $16, $15 and $76, respectively(15)	$ 669	$1,025	$1,061
Short-term Investments	184	--	--
Other Current Assets	823	703	573
Total Property and Equipment, Net	2,574	2,225	1,596
Routes, Gates and Slots, Net	1,410	1,425	1,473
Other Assets, Net	305	452	503
Total Assets	$5,965	$5,830	$5,206
Liabilities and Stockholders' Equity:			
Current Liabilities	$2,346	$2,285	$2,104
Long-Term Debt and Capital Leases	1,721	1,568	1,624
Deferred Credits and Other Long-Term Liabilities	674	819	594
Minority Interest(16)	--	--	15
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures(17)	242	242	242
Redeemable Preferred Stock(18)	--	--	46
Common Stockholders' Equity	982	916	581

Total Liabilities and Stockholders' Equity.....	$5,965	$5,830	$5,206

(See footnotes on the following page.)

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(1) No cash dividends were paid on common stock during the periods shown.

(2) Includes a $128 million fleet disposition charge recorded in 1996 associated primarily with the Company's decision to accelerate the replacement of its DC-9-30, DC-10-10, 727-200, 737-100, and 737-200 aircraft. In connection with its decision to accelerate the replacement of such aircraft, the Company wrote down its Stage 2 aircraft inventory, that is not expected to be consumed through operations, to its estimated fair value and recorded a provision for costs associated with the return of leased aircraft at the end of their respective lease terms.

(3) Includes a $20 million cash payment in 1995 by the Company in connection with a 24-month collective bargaining agreement entered into by the Company and the Independent Association of Continental Pilots.

(4) Includes a pre-tax gain of $108 million ($30 million after tax) on the series of transactions by which the Company and its subsidiary, Continental CRS Interests, Inc., transferred certain assets and liabilities relating to the computerized reservation business of such subsidiary to a newly-formed limited liability company and the remaining assets and liabilities were sold.

(5) For purposes of calculating this ratio, earnings consist of earnings before taxes, minority interest and extraordinary loss plus interest expense (net of capitalized interest), the portion of rental expense representative of interest expense and amortization on previously capitalized interest. Fixed charges consist of interest expense and the portion of rental expense representative of interest expense. For the periods January 1, 1993 through April 27, 1993 and April 28, 1993 through December 31, 1993 and for the year ended December 31, 1994, earnings were not sufficient to cover fixed charges. Additional earnings of $979 million, $60 million and $667 million, respectively, would have been required to achieve ratios of earnings to fixed charges of 1.0. Calair and Calair Capital were formed on March 31, 1998 and therefore, there is no ratio of earnings to fixed charges for Calair or Calair Capital.

(6) Includes operating data for CMI, but does not include operating data for Express' regional jet operations or turboprop operations.

(7) The number of scheduled miles flown by revenue passengers.

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

(9) Revenue passenger miles divided by available seat miles.

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

(11) Passenger revenue divided by available seat miles.

(12) Operating expenses divided by available seat miles.

(13) Excludes a $128 million fleet disposition charge. See Note (2) for description of the fleet disposition charge.

(14) The average revenue received for each mile a revenue passenger is carried.

(15) Restricted cash and cash equivalents agreements relate primarily to workers' compensation claims and the terms of certain other agreements.

(16) In July 1997, the Company purchased the minority interest holder's 9% interest in Air Micronesia, Inc., the parent of CMI.

(17) The sole assets of such Trust are convertible subordinated debentures, with an aggregate principal amount of $249 million, which bear interest at the rate of 8 1/2% per annum and mature on December 1, 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.

(18) Continental redeemed for cash all of the outstanding shares of its Series A 12% Cumulative Preferred Stock in 1997.

RISK FACTORS

Prospective holders of the Exchange Notes should consider carefully the following factors as well as the other information and data included in this Prospectus before tendering their Old Notes in the Exchange Offer.

RISK FACTORS RELATING TO CONTINENTAL

Leverage and Liquidity

Continental is more leveraged and has significantly less liquidity than certain of its competitors, several of whom have substantial available lines of credit and/or significant unencumbered assets. Accordingly, Continental may be less able than certain of its competitors to withstand a prolonged recession in the airline industry and may not have as much flexibility to respond to changing economic conditions or to exploit new business opportunities.

As of March 31, 1998, Continental had approximately $2.0 billion (including current maturities) of long-term debt and capital lease obligations and had approximately $1.2 billion of Continental-obligated mandatorily redeemable preferred securities of subsidiary trust and common stockholders' equity. Subsequent to their issuance in April 1998, the Old Notes have been reflected as indebtedness on Continental's consolidated balance sheet due to Continental's 76% ownership interest in Calair. Common stockholders' equity reflects the adjustment of Continental's balance sheet and the recording of assets and liabilities at fair market value as of April 27, 1993 in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7--"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). As of March 31, 1998, Continental had $653 million in cash and cash equivalents (excluding restricted cash and cash equivalents of $16 million) and $184 million in short-term investments. Continental has significant encumbered assets.

For 1997, Continental incurred cash expenditures under operating leases relating to aircraft of approximately $626 million, compared to $568 million for 1996, and $236 million relating to facilities and other rentals, compared to $210 million in 1996. Continental expects that its operating lease expenses for 1998 will increase over 1997 amounts. In addition, Continental has capital requirements relating to compliance with regulations that are discussed below. See "-- Risk Factors Relating to the Airline Industry -- Regulatory Matters."

As of July 17, 1998, Continental had firm commitments with The Boeing Company ("Boeing") to take delivery of a total of 132 jet aircraft during the years 1998 through 2005 with options for an additional 61 aircraft (exercisable subject to certain conditions). These new aircraft will replace older, less efficient Stage 2 aircraft and allow for growth of operations. The estimated aggregate cost of the Company's firm commitments for the Boeing aircraft is approximately $5.9 billion. As of July 17, 1998, Continental had completed or had third-party commitments for a total of approximately $982 million in financing for its future Boeing deliveries, and had commitments or letters of intent from various sources for backstop financing for approximately one-third of the anticipated remaining acquisition cost of such Boeing deliveries. The Company currently plans on financing the new Boeing aircraft with a combination of enhanced equipment trust certificates, lease equity and other third-party financing, subject to availability and market conditions. However, further financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, spare parts, simulators and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Deliveries of new Boeing aircraft are expected to increase aircraft rental, depreciation and interest costs while generating cost savings in the areas of maintenance, fuel and pilot training. The Company has experienced certain delays in delivery of new Boeing aircraft, due to production delays at Boeing. Although the Company has thus far been able to manage the capacity constraints caused by such delays by extending leases on other aircraft leased by the Company, there can be no assurance that additional delivery delays will not adversely affect the Company's operations.

As of July 17, 1998, Express had firm commitments for 22 Embraer ERJ-145 ("ERJ-145") regional jets and a letter of intent to purchase 25 ERJ-135 regional jets, with options for an additional 150 ERJ-145 and 50

ERJ-135 aircraft exercisable through 2008. Neither Express nor Continental will have any obligation to take any such aircraft that are not financed by a third party and leased to the Company. The Company expects to account for all of these aircraft as operating leases.

Continental's History of Operating Losses

Although Continental recorded net income of $81 million in the first quarter of 1998, $385 million in 1997, $319 million in 1996 and $224 million in 1995, it had experienced significant operating losses in the previous eight years. In the long term, Continental's viability depends on its ability to sustain profitable results of operations.

Aircraft Fuel

Since fuel costs constitute a significant portion of Continental's operating costs (approximately 11.2% for the three months ended March 31, 1998 and 13.6% for the year ended December 31, 1997), significant changes in fuel costs would materially affect Continental's operating results. Fuel prices continue to be susceptible to international events, and Continental cannot predict near or longer-term fuel prices. Historically, the Company has entered into petroleum call options to provide some short-term protection against a sharp increase in jet fuel prices. In light of declining fuel prices and the high cost of call options with strike prices at spreads above current prices normally purchased by the Company, the Company's petroleum call option contracts currently provide protection only against significantly higher fuel prices with respect to approximately three months of the Company's fuel needs, in the event of a fuel supply shortage resulting from a disruption of oil imports or otherwise.

Labor Matters

In June 1998, a five-year collective bargaining agreement, retroactive to October 1997, was ratified by the Continental pilots, who are represented by the Independent Association of Continental Pilots ("IACP"). The agreement becomes amendable in October 2002. The Company began accruing for the increased costs of the new agreement in the fourth quarter of 1997. The Company estimates that the increased costs for the Continental pilots will be approximately $113 million for 1998. Also in June 1998, the pilots at Express, who are also represented by the IACP, rejected a new five-year agreement which had been submitted to them for ratification. The parties will resume bargaining with respect to a revised Express contract with the assistance of the National Mediation Board in the third quarter of 1998. While it is not possible to predict the outcome of those negotiations, the Company does not believe they will have a material financial impact on the Company. The Company's dispatchers, represented by the Transport Workers' Union ("TWU"), ratified a new five-year collective bargaining agreement in June 1998. The agreement becomes amendable in October 2003. Collective bargaining negotiations, which began in the fall of 1997, are ongoing with the International Brotherhood of Teamsters for an initial collective bargaining agreement covering Continental's mechanics and related employees. While it is not possible to predict the outcome of those negotiations, the Company does not believe they will have a material financial impact on the Company. In September 1997, Continental announced that it intends to bring all employees to industry standard wages (the average of the top ten air carriers as ranked by the DOT, excluding Continental) within 36 months. The announcement further stated that wage increases will be phased in over the 36-month period as revenue, interest rates and rental rates reach industry standards. Continental estimates that the increased wages will aggregate approximately $500 million over the 36-month period.

Certain Tax Matters

At December 31, 1997, Continental had estimated net operating loss carryforwards ("NOLs") of $1.7 billion for federal income tax purposes that will expire through 2009 and federal investment tax credit carryforwards of $45 million that will expire through 2001. As a result of the change in ownership of Continental on April 27, 1993, the ultimate utilization of Continental's NOLs and investment tax credits will be limited. Reflecting this possible limitation, Continental has recorded a valuation allowance of $617 million at December 31, 1997.

Continental had, as of December 31, 1997, deferred tax assets aggregating $1.1 billion, including $631 million of NOLs. Realization of a substantial portion of the Company's remaining NOLs required the completion by April 27, 1998 of transactions resulting in recognition of built-in gains for federal income tax purposes. The Company consummated several such transactions resulting in the elimination of reorganization value in excess of amounts allocable to identifiable assets. In addition, the deferred tax asset related to these NOLs and the related valuation allowance (each totaling $164 million) were eliminated in the first quarter of 1998. To the extent the Company were to determine in the future that additional NOLs of the Company's predecessor could be recognized in the Company's consolidated financial statements, such benefit would reduce other intangibles.

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional $515 million of taxable income following December 31, 1997. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. Based on information currently available, the Company does not believe that the Air Partners Transaction (as defined herein) will result in an ownership change for purposes of Section 382.

Continental Micronesia

Because the majority of CMI's traffic originates in Japan, its results of operations are substantially affected by the Japanese economy and changes in the value of the yen as compared to the dollar. Appreciation of the yen against the dollar during 1994 and 1995 increased CMI's profitability, while the decline of the yen against the dollar, that began in 1996 and has continued through the first six months of 1998, has reduced CMI's profitability. As a result of increased fuel costs in 1996 and 1997 and the continued weakness of the yen against the dollar and a weak Japanese economy, CMI's operating earnings have declined significantly since 1995 and are not expected to improve materially absent a significant improvement in the Japanese economy and the yen exchange rate.

To reduce the potential negative impact on CMI's dollar earnings, CMI, from time to time, purchases average rate options as a hedge against a portion of its expected net yen cash flow position. Such options historically have not had a material effect on Continental's results of operations or financial condition. Any significant and sustained decrease in traffic or yields (including due to the value of the yen) to and from Japan could materially adversely affect Continental's consolidated profitability.

Principal Stockholder

As of June 30, 1998, Air Partners, L.P. ("Air Partners") held approximately 14% of the common equity interest and 51% of the general voting power of the Company, having exercised its remaining warrants in April 1998. Various provisions in the Company's Certificate of Incorporation and Bylaws currently provide Air Partners with the right to elect one-third of the directors in certain circumstances; these provisions could have the effect of delaying, deferring or preventing a change in the control of the Company. On January 26, 1998, the Company announced that Air Partners had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest.

Risks Regarding Continental/Northwest Alliance

On January 26, 1998, the Company and Northwest announced a long-term global alliance (the "Northwest Alliance") involving schedule coordination, frequent flyer reciprocity, executive lounge access, airport facility coordination, code-sharing, the formation of a joint venture among the two carriers and KLM Royal Dutch Airlines ("KLM") with respect to their respective trans-Atlantic services, cooperation regarding other alliance partners of the two carriers and regional alliance development, certain coordinated sales programs, preferred reservations displays and other activities.

Successful implementation of the alliance and the achievement and timing of the anticipated synergies by the Company are subject to certain risks and uncertainties, some of which are beyond the control of the Company, including (a) competitive pressures, including developments with respect to existing and potential future competitive alliances; (b) customer perception of and acceptance of the alliance, including product differences and benefits provided; (c) whether the Northwest pilots approve those aspects of the alliance requiring their approval, and the timing thereof; (d) potential adverse developments with respect to regional economic performance; (e) costs or difficulties in implementing the alliance being greater than expected, including those caused by the Company's or Northwest's workgroups; (f) contractual impediments to the implementation by the Company of certain aspects of the alliance; and (g) non-approval or delay by regulatory authorities or possible adverse regulatory decisions or changes. There can be no assurance that the alliance will be fully and timely implemented or continued, or that the anticipated synergies will not be delayed or will be achieved.

At July 30, 1998, the alliance between Continental and Northwest continues to be reviewed by the Department of Justice and the Department of Transportation, and the parties have provided additional information to both reviewing agencies. Continental cannot predict the timing or outcome of these governmental processes.

Corporate Governance Agreement

The Company announced on January 26, 1998 that Air Partners, the holder of approximately 14% of the Company's equity and approximately 51% of its voting power (after giving effect to the exercise of warrants), had entered into an agreement to dispose of its interest in the Company to an affiliate of Northwest (the "Air Partners Transaction"). In connection with the Air Partners Transaction, the Company has entered into a corporate governance agreement with certain affiliates of Northwest, designed to assure the independence of the Company's board of directors and management during the six-year period of the governance agreement. During the term of the governance agreement, the securities of the Company beneficially owned by Northwest and its affiliates will be deposited into a voting trust and generally voted as recommended by the Company's board of directors (a majority of whom must be independent directors as defined in the agreement) or in the same proportion as the votes cast by other holders of the Company's voting securities. However, pursuant to the governance agreement, those shares may be voted as directed by the Northwest affiliate in connection with certain matters, including with respect to mergers and certain other change in control matters and the issuance of capital stock representing in excess of 20% of the voting power of the Company prior to issuance requiring a stockholder vote. In addition, in connection with the election of directors, those shares shall be voted for the election of the independent directors; provided that with respect to elections of directors in respect of which any person other than the Company is soliciting proxies, the shares may be voted, at the election of Northwest's affiliate, either as recommended by the Company's board of directors or in the same proportion as the votes cast by other holders of the Company's voting securities. As a result of the provisions of the corporate governance agreement, the ability of the Company to engage in a change in control transaction other than with Northwest or an affiliate thereof, or to issue significant amounts of capital stock under certain circumstances, is limited.

Shareholder Litigation

Following the announcement of the Northwest Alliance, the Air Partners Transaction and the related corporate governance agreement between the Company and certain affiliates of Northwest (collectively, the "Northwest Transaction"), to the Company's knowledge as of July 30, 1998, six separate lawsuits were filed against the Company and its Directors and certain other parties (the "Shareholder Litigation"). The complaints in the Shareholder Litigation, which were filed in the Court of Chancery of the State of Delaware in and for New Castle County and seek class certification, and which have been consolidated under the caption In re Continental Airlines, Inc. Shareholder Litigation, generally allege that the Company's Directors improperly accepted the Northwest Transaction in violation of their fiduciary duties owed to the public shareholders of the Company. They further allege that Delta Air Lines, Inc. submitted a proposal to purchase the Company which, in the plaintiffs' opinion, was superior to the Northwest Transaction. The Shareholder

Litigation seeks, inter alia, to enjoin the Northwest Transaction and the award of unspecified damages to the plaintiffs.

While there can be no assurance that the Shareholder Litigation will not result in a delay in the implementation of any aspect of the Northwest Transaction, or the enjoining of the Northwest Transaction, the Company believes the Shareholder Litigation to be without merit and intends to defend it vigorously.

RISK FACTORS RELATING TO THE AIRLINE INDUSTRY

Industry Conditions and Competition

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

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

Regulatory Matters

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

Management believes that Continental benefitted significantly from the expiration of the aviation trust fund tax (the "ticket tax") on December 31, 1995. The ticket tax was reinstated on August 27, 1996, expired again on December 31, 1996 and was reinstated again on March 7, 1997. In July 1997, Congress passed tax legislation reimposing and significantly modifying the ticket tax. The legislation includes the imposition of new excise tax and segment fee tax formulas to be phased in over a multi-year period, an increase in the international departure tax and the imposition of a new arrivals tax, and the extension of the ticket tax to cover items such as the sale of frequent flyer miles. Management believes that the ticket tax has a negative impact on the Company, although neither the amount of such negative impact directly resulting from the reimposition of the ticket tax, nor the benefit previously realized by its expiration, can be precisely determined.

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

Seasonal Nature of Airline Business

Due to the greater demand for air travel during the summer months, revenue in the airline industry in the third quarter of the year is generally significantly greater than revenue in the first quarter of the year and moderately greater than revenue in the second and fourth quarters of the year for the majority of air carriers. Continental's results of operations generally reflect this seasonality, but have also been impacted by numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, fare wars, excise and similar taxes, changing levels of operations, fuel prices, foreign currency exchange rates and general economic conditions.

Year 2000

The Company uses a significant number of computer software programs and embedded operating systems that are essential to its operations. As a result, the Company implemented a Year 2000 project in early 1997 to ensure that the Company's computer systems will function properly in the year 2000 and thereafter. The Company anticipates completing its Year 2000 project in early 1999 and believes that, with modifications to its existing software and systems and/or conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems.

The Company has also initiated communications with its significant suppliers and vendors with which its systems interface and exchange data or upon which its business depends. The Company is coordinating efforts with these parties to minimize the extent to which its business will be vulnerable to their failure to remediate their own Year 2000 issues. The Company's business is also dependent upon certain governmental organizations or entities such as the Federal Aviation Administration ("FAA") that provide essential aviation industry infrastructure. There can be no assurance that the systems of such third parties on which the Company's business relies (including those of the FAA) will be modified on a timely basis. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of its systems or those operated by other parties to operate properly beyond 1999. To the extent possible, the Company will be developing and executing contingency plans designed to allow continued operation in the event of failure of the Company's or third parties' systems.

The total cost (excluding internal payroll costs) of the Company's Year 2000 project is currently estimated at $12 million and will be funded through cash from operations. The cost of the Company's Year 2000 project is limited by the substantial outsourcing of its systems and the significant implementation of new systems following its emergence from bankruptcy in 1993. The costs of the Company's Year 2000 project and the date on which the Company believes it will be completed are based on management's best estimates and include assumptions regarding third-party modification plans. However, in particular due to the potential impact of third-party modification plans, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated.

RISK FACTORS RELATING TO THE ISSUERS, THE EXCHANGE NOTES AND THE EXCHANGE OFFER

No Operating History; Limited Purpose; Limited Income

At the time of the Old Notes Offering, the Issuers were newly formed special purpose entities with no prior operating history. The Company Agreement limits the business of Calair to leasing and/or selling the Slots, managing, protecting and conserving the Slots and other Calair property, performing and complying

with the Transaction Documents, owning the stock of Calair Capital and activities related or incidental thereto or otherwise permitted under the Company Agreement. Calair Capital was formed by Calair specifically to effect the Old Notes Offering, acting as agent for Calair, and does not have any material assets or conduct operations of its own. The sole sources of revenue for Calair are rental payments received by Calair from Continental under the Slot Lease Agreement and proceeds from the sale of any of the Slots that may be sold in the future. See "The Transaction." Consequently, Calair's ability to make payments of interest on the Notes in the amounts and on the dates contemplated herein depends upon the receipt by Calair of payments under the Slot Lease Agreement. Regular rental payments under the Slot Lease Agreement will not be sufficient to enable Calair to repay the principal of the Notes upon maturity. At maturity of the Notes, it is anticipated that Calfinco will make a voluntary capital contribution to Calair to fund repayment of the principal of the Notes. However, Calfinco is under no obligation under the Company Agreement to do so. If Calfinco does not make such a capital contribution in an amount equal to the principal balance of the Notes prior to maturity and Calair is not otherwise able to pay the Notes, Continental will be obligated to make payment under the Parent Guarantee with respect to the Notes. Therefore, purchasers of the Notes should rely on Continental's payments under the Slot Lease Agreement and the Parent Guarantee for payments of interest, principal and other amounts due under the Notes.

Absence of Certain Covenants

The terms of the Notes and the Parent Guarantee do not limit the Issuers' or Continental's or any of their respective subsidiaries' ability to incur additional indebtedness, to mortgage or pledge any of their respective assets, to sell assets or to pay dividends or make other distributions on, or redeem or repurchase, capital stock. In addition, the Notes do not contain provisions that would give holders of the Notes the right to require the Issuers to repurchase their Notes in the event of a change of control of the Issuers or Continental or a decline in the credit rating of Calair's, Calair Capital's or Continental's debt securities resulting from a takeover, recapitalization or similar restructuring or any other reason.

Absence of Public Market

The Exchange Notes are new securities for which there presently is no market. Although the Initial Purchasers have advised the Issuers and Continental that they currently intend to make a market, if permitted by applicable laws and regulations, in the Exchange Notes, they are not obligated to do so and any such market making may be discontinued at any time without notice in the sole discretion of the Initial Purchasers. In addition, such market making activity may be limited during the pendency of the Exchange Offer or the effectiveness of any shelf registration statement in lieu thereof. Accordingly, there can be no assurance as to the development or liquidity of any market for the Exchange Notes. The Issuers do not intend to apply for a listing of the Exchange Notes on any securities exchange or for their quotation through any automated dealer quotation system.

Consequences of Failure to Exchange

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the provisions in the Indenture regarding transfers and exchanges of the Old Notes and the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Issuers and the Company do not currently anticipate that they will register the Old Notes under the Securities Act subsequent to the Exchange Offer. To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. See "Transfer Restrictions on Old Notes."

THE ISSUERS

Calair, a Delaware limited liability company, was formed on March 31, 1998, for the purpose of acquiring the Slots from Continental, pursuant to the Transaction. Upon the closing of the Transaction, the members in Calair consisted of Calfinco, a wholly owned subsidiary of Continental, and CEA, an affiliate of Chase Securities Inc., one of the Initial Purchasers. Upon the closing of the Transaction, Calfinco and CEA owned member interests in Calair of 76% and 24%, respectively. Pursuant to the Transaction, Calair acquired the Slots from Continental on April 17, 1998 and Continental leased the Slots back from Calair for a 10-year period. Calair Capital, a Delaware corporation and a wholly owned subsidiary of Calair, was formed specifically to effect the Old Notes Offering acting as agent for Calair and does not have any material assets or conduct operations of its own. Accordingly, holders of the Notes should look to Calair, rather than Calair Capital, as the principal obligor on the Notes. The Notes are joint and several obligations of Calair and Calair Capital, although Calair received all the net proceeds of the Old Notes Offering, and are fully and unconditionally guaranteed by Continental. See "The Transaction." Calair Capital is a shell company with no operations. Consequently, financial statements of Calair Capital are not included in this Prospectus because they are not meaningful. The consolidated financial statements of Calair reflect the operations of the Issuers.

CONTINENTAL

Continental is a major United States air carrier engaged in the business of transporting passengers, cargo and mail. Continental is the fifth largest United States airline (as measured by revenue passenger miles for the first six months of 1998) and, together with its wholly owned subsidiaries, Express and CMI, each a Delaware corporation, serves 193 airports worldwide. As of June 30, 1998, Continental flew to 131 domestic and 62 international destinations and offered additional connecting service through alliances with leading airlines.

RECENT DEVELOPMENTS

The Company recently announced its unaudited 1998 second quarter and year to date results of operations. The Company reported pre-tax income of $275 million for the second quarter of 1998, as compared to $208 million for the 1997 quarter, on operating revenue of $2.0 billion for the second quarter of 1998 as compared to $1.8 billion for the 1997 quarter. After taxes and a $4.0 million extraordinary charge, the Company reported net income of $163 million ($2.68 basic and $2.06 diluted earnings per share) for the second quarter of 1998 compared to $128 million ($2.22 basic and $1.63 diluted earnings per share) in the comparable period of 1997.

The Company reported pre-tax income of $412 million for the first six months of 1998, as compared to $332 million for the 1997 period, on operating revenue of $3.9 billion for the first six months of 1998 as compared to $3.5 billion for the 1997 period. After taxes and a $4.0 million extraordinary charge, the Company reported net income of $244 million ($4.08 basic and $3.12 diluted earnings per share) for the first six months of 1998 compared to $202 million ($3.50 basic and $2.58 diluted earnings per share) in the comparable period of 1997.

THE TRANSACTION

Pursuant to the Transaction, Continental sold the Slots to Calair for $151.1 million pursuant to the terms of a Sale Agreement between Continental and Calair. The Transaction was funded with a combination of debt and equity, which included $31.7 million in capital contributions from Calfinco, $10.0 million in capital contributions from CEA and the net proceeds of the Old Notes Offering. Continental and Calair executed a Slot Lease Agreement pursuant to which Continental leased the Slots back from Calair for a 10-year period. Pursuant to the terms of a Redemption Option Agreement between Calair and CEA, Calair has the right to redeem 50% of CEA's member interest (i.e., 12% of Calair) on April 17, 2003, the fifth anniversary of the closing date of the Transaction, and has the right to redeem all of CEA's member interest (either 12% of Calair if Calair has previously exercised its fifth anniversary redemption option, or 24% otherwise) upon the

occurrence of certain events described in the Redemption Option Agreement and the Company Agreement and on April 17, 2008, the tenth anniversary of the closing date of the Transaction.

Set forth below is a summary of certain provisions of each of the Company Agreement, the Sale Agreement, the Slot Lease Agreement and the Redemption Option Agreement, which are collectively referred to herein as the "Transaction Documents." The summary herein of certain provisions of each of the Transaction Documents does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of each such agreement. The Issuers will provide a copy of each such agreement to holders of Exchange Notes upon request.

THE COMPANY AGREEMENT

Pursuant to an amended and restated limited liability company agreement entered into between Calfinco and CEA (the "Company Agreement"), Calfinco is the initial managing member of Calair and owns a 76% member interest, and CEA owns a 24% member interest. Calair is managed by the managing member, who has full power and authority to manage the business and affairs of Calair as set forth in the Company Agreement and performs all acts necessary and desirable to the objects and purposes of Calair. The exercise of the foregoing duties are subject only to (i) the rights of CEA to approve certain extraordinary decisions specified in the Company Agreement ("Extraordinary Decisions") and (ii) the rights of any liquidator of Calair in the event of a dissolution, winding up or liquidation of Calair, which liquidator under certain circumstances may not be Calfinco. Such Extraordinary Decisions include, among other things and subject to certain exceptions, Calair's ability to incur indebtedness (other than the Notes and payables associated with Calair expenses), to engage in certain extraordinary transactions with respect to the Slots, to cause or permit the incurrence of liens against Calair's assets, to cause Calair's dissolution, to cause Calair to merge or consolidate with another entity, to enter into transactions with affiliates, or to institute voluntary bankruptcy proceedings in respect of Calair. However, if CEA does not approve any of the foregoing actions that Calfinco desires to take, except in certain circumstances, at Calfinco's direction, Calair has the right to redeem all of CEA's member interest, as provided in the Redemption Option Agreement. See "-- The Redemption Option Agreement" below. Except as provided in the Company Agreement, CEA shall have no right, power or authority to take part in the management or control of Calair.

CEA agreed not to transfer its member interest to any other air carrier or any affiliate thereof. CEA also agreed not to transfer its member interest to any other entity, except to affiliates of CEA, without granting Calfinco a right of first refusal with respect to such transfer. Upon the willful mismanagement of Calair by Calfinco or upon the occurrence of certain events such as the default by Continental under the Slot Lease Agreement, the default by Calair or Continental under the Indenture (as defined herein) or related documents and the exercise of any remedy thereunder, including acceleration of the Notes, by the Trustee (as defined herein), a default or misrepresentation by Calair under the Transaction Documents, the Indenture or related documents, the bankruptcy of Continental or Calfinco, or certain other events, CEA has the right after notice to Calfinco, and provided Calair does not exercise its right to redeem all of CEA's member interest within specified periods after such notice (see "-- The Redemption Option Agreement" below) to remove Calfinco as the managing member and to be substituted as the managing member of Calair.

Calfinco has the right (but is not obligated) to make additional capital contributions to Calair to enable Calair to exercise Calair's redemption rights under the Redemption Option Agreement. Calair's cash available for distribution net of amounts necessary to pay interest on the Notes, certain amounts to be held in respect of redemptions of CEA's member interest, and expenses, will generally be distributed, and its taxable income, loss and other tax items will generally be allocated, in accordance with the members' ownership percentages. Calair may loan cash, otherwise available for distribution to the members of Calair, to Continental without CEA's consent under certain circumstances. If Calair has not redeemed all of CEA's member interest on or before April 17, 2008, the tenth anniversary of the closing date of the Transaction, CEA has the right to require the liquidation of Calair.

THE SALE AGREEMENT

Under the Sale Agreement entered into between Calair and Continental (the "Sale Agreement"), Continental sold to Calair substantially all of Continental's current takeoff and landing rights at Chicago O'Hare (29 slots), Washington National (41 slots) and LaGuardia (32 slots) for $151.1 million. Takeoff and landing rights of the type sold to Calair are defined in the Federal Aviation Regulations, Title 14, Code of Federal Regulations, Part 93, Subpart S. See "-- Information and Industry Regulation Relating to the Slots." Continental transferred the Slots by a Deed of Conveyance and warranted title to the Slots but will otherwise transfer the Slots on an "as is, where is' basis.

THE SLOT LEASE AGREEMENT

Under the Slot Lease Agreement entered into between Calair and Continental (the "Slot Lease Agreement"), Continental leased the Slots from Calair for a term of 10 years at a rate equal to approximately $16.3 million per annum, payable in arrears on April 1 and October 1 of each year of such term, subject to adjustment as described below. Continental agreed to keep the Slots free of encumbrances, other than encumbrances arising pursuant to subleases, licenses and Slot trades permitted by the Slot Lease Agreement.

The leased Slots are used by Continental and by other entities to which Continental may sublease or license one or more leased Slots or with which Continental may engage in a temporary exchange of Slots, in each case consistent with industry practice. Use of the leased Slots is at the sole cost, risk and expense of Continental. Continental agreed to indemnify Calair against certain claims and taxes relating to the use of the Slots. If (i) Continental fails to pay rent within 10 days after written notice thereof, (ii) Continental makes a general assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for itself or for a substantial part of its property, or a trustee or receiver is appointed for Continental or for any of the leased Slots, or for substantially all of Continental's property without Continental's consent and such appointment is not dismissed within 60 days or bankruptcy, reorganization or insolvency proceedings are instituted by or against Continental, and if instituted against Continental, are not dismissed, stayed or withdrawn for 60 days, or (iii) Continental fails to comply with any covenant of the Slot Lease Agreement (other than to pay rent), and such failure continues for 30 days after notice thereof, Calair has the right to terminate the Slot Lease Agreement. Upon such termination, Calair has the right to recover all rent accrued to date, together with the discounted present value of the remaining rent to be paid under the Slot Lease Agreement, or alternatively, to recover the remainder of the rent to be paid over the remaining term of the Slot Lease Agreement as it becomes due, less any net amount received from reletting the Slots.

Under certain circumstances, Continental has the right to cause Calair to sell Slots to persons who are not affiliates of Calair or Continental or to request that Calair exchange Slots with persons who are not affiliates of Continental. If any of the Slots are sold, the consideration payable for such purchase shall be a combination of immediately available funds and Slots (in a tax-free exchange pursuant to Section 1031 of the Internal Revenue Code) having a value equal to the fair market value of the purchased Slots, as determined by an appraisal prepared by an appraiser acceptable to both members of Calair within 30 days prior to the purchase. Swapped Slots and substitute Slots are included as Slots subject to the Slot Lease Agreement immediately upon the swap or exchange.

THE REDEMPTION OPTION AGREEMENT

Under the Redemption Option Agreement entered into between Calair and CEA (the "Redemption Option Agreement"), CEA granted Calair the right to redeem all or, in the case of clause (i) below, a portion of the member interest of CEA (and its successors and assigns) under the following circumstances:

(i) 50% of CEA's member interest (i.e., 12% of Calair) on April 17, 2003, the fifth anniversary of the closing date of the Transaction;

(ii) all of CEA's remaining member interest (i.e., 12% of Calair if Calair has exercised its option described in clause (i) above or 24% otherwise) on April 17, 2008, the tenth anniversary of the closing date of the Transaction;

(iii) all of CEA's member interest, within certain time periods after (a) CEA refuses to approve an Extraordinary Decision proposed by Calfinco under the Company Agreement; provided such redemption right shall not be exercisable until after the second anniversary of the closing of the Transaction, (b) Calfinco has received notice that, as a result of the occurrence of one of the events entitling CEA to do so under the Company Agreement, CEA has elected to remove Calfinco as managing member, (c) Calfinco has received notice that CEA has, pursuant to the Company Agreement, elected to terminate and liquidate the Company, (d) foreclosure of any security interest granted by CEA on its member interest, or (e) Calair becomes aware that CEA has transferred CEA's member interest in a manner not permitted by the Company Agreement. If Calair has not redeemed all of CEA's member interest on or before the tenth anniversary of the closing date of the transaction, CEA will have the right to require the liquidation of Calair.

The purchase price for any of the foregoing redemption options depends upon the date of exercise, the appraised fair market value of the Slots, and the particular circumstances giving rise to the redemption option. However, in all events it is anticipated that if Calair exercises such option, all the available cash of Calair will not be sufficient to pay the redemption purchase price. Accordingly, Calair will be dependent upon the voluntary capital contributions of Calfinco to fund any shortfall. Calfinco is not obligated to make any such voluntary capital contributions to Calair.

INFORMATION AND INDUSTRY REGULATION RELATING TO THE SLOTS

In an attempt to alleviate airport congestion, the FAA promulgated special air traffic rules in 1968 that applied to five high density airports, John F. Kennedy International Airport ("JFK"), LaGuardia, Newark International, Chicago O'Hare and Washington National. The high density rule was designed to limit the number of Instrument Flight Rule ("IFR") operations (i.e., takeoffs and landings) permitted per hour and to require that each operation be supported by a specific authorization called a "slot." A slot is generally defined as a single arrival or departure. It takes two slots to effect a transit or turnaround flight at any airport. Under the regulatory regime promulgated in 1968, slots for operations at a high density airport were allocated by a committee of air carriers operating at the airport. Although the "high density rule" was initially established as a temporary measure for the years 1968 through 1972, the FAA retained it indefinitely at Chicago O'Hare, JFK, LaGuardia and Washington National in order to continue to alleviate congestion.

In December 1985, the FAA adopted a buy-sell rule, permitting holders of certain slots to transfer them for any consideration. The buy-sell regulations, which remain in effect (as amended from time to time) provide that, except for international and essential air service slots, permanent slots may be purchased, sold, traded, or leased, in any number, at any high density airport, subject to confirmation by the FAA.

Pursuant to the 1985 regulations, the FAA in 1986 distributed slots to carriers in a lottery. Carriers awarded slots in the lottery were thereafter free to buy, sell, trade or lease these slots, subject to FAA confirmation. However, the FAA has the right to reduce the number of slots, cancel slots for operational reasons and reallocate slots. The FAA also has the right to withdraw a slot if the slot is not used at least 80% of the time during any two-month period. The Department of Transportation from time to time exempts airlines from the slot regulations at airports other than Washington National to provide essential air service between slot-controlled airports and small communities, to provide foreign air transportation, and, under exceptional circumstances, for new entrants to institute service.

At Washington National, federal law limits the number of hourly operations and prohibits non-stop flights exceeding 1,250 miles with certain exceptions such as Houston and Dallas/Ft. Worth. This limit on distance is known as a "perimeter rule" and was originally put in place to divert traffic demand to the less congested Dulles Airport. The perimeter rule effectively limits utilization of Washington National slots to their fullest potential since inherently lucrative long haul non-stop services are effectively barred from the airport. LaGuardia, like Washington National, is limited to domestic services and also has a 1,500 mile perimeter rule with the exception of services to Denver. Runways at LaGuardia are restricted in length (only 7,000 feet) and by weight so four engine wide-body services are prohibited. O'Hare is one of the world's busiest airports and number one in the United States in terms of both aircraft operations and passengers

enplaned. Unlike Washington National and LaGuardia, O'Hare is also a major international hub so there is demand for slots from both domestic and foreign carriers.

Various amendments to the slot system and the perimeter rules, proposed from time to time by the FAA, members of Congress and others, could, if adopted, significantly affect operations at the high density traffic airports, significantly change the value of the slots, expand slot controls to other airports or eliminate slots entirely. If adopted, certain of such proposals could restrict the number of flights, limit transfer of the ownership of slots, increase the risk of slot withdrawals or eliminate slots entirely, which could in turn result in charges to Continental's financial statements. Continental cannot predict whether any of these proposals will be adopted or the impact that the adoption of any such proposal would have on the value of the Slots or the business or operations of Calair.

MANAGEMENT OF THE ISSUERS

Calair is managed by Calfinco, its managing member, pursuant to the Company Agreement. Calair has no directors, officers or employees. The following table sets forth certain information concerning the executive officers and directors of Calfinco. All such executive officers are directors of Calair Capital and hold the same positions in Calair Capital as they hold in Calfinco.

EXECUTIVE OFFICERS AND DIRECTORS

NAME	AGE	POSITION
Gordon M. Bethune	56	Chairman of the Board and Chief Executive Officer
Gregory D. Brenneman	36	President, Chief Operating Officer and Director
Lawrence W. Kellner	39	Executive Vice President, Chief Financial Officer and Director
Jeffery A. Smisek	43	Executive Vice President, General Counsel, Secretary and Director

Gordon M. Bethune has served as Chairman of the Board and Chief Executive Officer of Calfinco since December 1995 and as Chairman of the Board and Chief Executive Officer of Continental since September 1996 and as Director of Continental since August 1994. From November 1994 to September 1996, Mr. Bethune served as President and Chief Executive Officer and from February 1994 to November 1994 as President and Chief Operating Officer of Continental. Commencing in 1988, he served in various positions with The Boeing Company, including Vice President and General Manager of the Commercial Airplane Group Renton Division, Vice President and General Manager of the Customer Services Division and Vice President of Airline Logistics Support.

Gregory D. Brenneman has served as President and Chief Operating Officer and Director of Calfinco since December 1995 and as President and Chief Operating Officer of Continental since September 1996 and as Director of Continental since June 1995. From May 1995 to September 1996, he served as Chief Operating Officer and from February to April 1995 as a consultant to Continental. Prior to that time, he served in various positions, including Vice President, with Bain & Company, Inc., a consulting firm, for more than five years. Mr. Brenneman is also a Director of Browning-Ferris Industries, Inc.

Lawrence W. Kellner has served as Executive Vice President and Chief Financial Officer of Calfinco since November 1996 and as Senior Vice President and Chief Financial Officer of Calfinco from December 1995 to November 1996. He has also served as Executive Vice President and Chief Financial Officer of Continental since November 1996. From June 1995 to November 1996, he served as Senior Vice President and Chief Financial Officer of Continental. From November 1992 to May 1995, Mr. Kellner served as Executive Vice President and Chief Financial Officer of American Savings Bank, F.A. Mr. Kellner is also a Director of Belden & Blake Corporation.

Jeffery A. Smisek has served as Executive Vice President, General Counsel and Secretary of Calfinco since November 1996 and as Senior Vice President, General Counsel and Secretary of Calfinco from December 1995 to November 1996. He has also served as Executive Vice President, General Counsel and Secretary of Continental since November 1996. Mr. Smisek served as Senior Vice President and Secretary of Continental from April 1995 to November 1996 and as General Counsel of Continental since March 1995. Prior to that time, Mr. Smisek was a Partner with the law firm of Vinson & Elkins L.L.P. for more than five years. Mr. Smisek is also a Director of Tuboscope Inc.

THE PRIVATE PLACEMENT AND USE OF PROCEEDS

The Old Notes were sold by the Issuers on April 17, 1998 to the Initial Purchasers in a transaction not registered under the Securities Act in reliance upon Section 4(2) of the Securities Act. The Old Notes were thereupon offered and sold by the Initial Purchasers only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and pursuant to offers and sales that occurred outside the United States within the meaning of Regulation S under the Securities Act. The net proceeds from the Old Notes Offering (approximately $110 million), together with capital contributions from Calfinco and CEA, were used by Calair to purchase the Slots from Continental in connection with the Transaction. Continental used the proceeds from the sale of the Slots for general corporate purposes.

Neither the Issuers nor the Company will receive any proceeds from the Exchange Offer.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and the capitalization (including current maturities) of Continental as of March 31, 1998, and as adjusted to give effect to (i) the receipt of the net proceeds from the issuance of the Old Notes and (ii) the Transaction. See "The Private Placement and Use of Proceeds," "The Transaction" and the consolidated financial statements of Continental appearing in Continental's Quarterly Report (Form 10-Q) for the three months ended March 31, 1998 incorporated by reference herein.(1)

	MARCH 31, 1998	
	ACTUAL	AS ADJUSTED
	(IN MILLIONS OF DOLLARS EXCEPT SHARE DATA) (UNAUDITED)	
Cash and cash equivalents, including restricted cash and cash equivalents of $16	$ 669	$ 789
Short-term investments	184	184
	$ 853	$ 973
Current Maturities:		
Long-term debt	$ 228	$ 228
Capital leases	45	45
Total	273	273
Long-term Debt	1,541	1,551
8 1/8% Senior Notes due 2008	--	112
Capital Leases	180	180
Total	1,721	1,843
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated Debentures(2)	242	242
Common Stockholders' Equity:		
Class A common stock -- $.01 par (50,000,000 shares authorized; 8,379,464 shares issued and outstanding)	--	--
Class B common stock -- $.01 par (200,000,000 shares authorized; authorized; 51,066,488 shares issued)	1	1
Additional Paid-in Capital	647	647
Retained Earnings	357	357
Treasury Stock -- 439,000 Class B shares	(26)	(26)
Other	3	3
Total Common Stockholders' Equity	982	982
Total Capitalization (including Current Maturities)	$3,218	$3,340

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(1) Calair was formed on March 31, 1998 and held no debt as of that date.

(2) The sole assets of such Trust are convertible subordinated debentures, with an aggregate principal amount of $249 million, which bear interest at the rate of 8 1/2% per annum and mature on December 1, 2020. Upon repayment, the Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust will be mandatorily redeemed.

THE EXCHANGE OFFER

The summary herein of certain provisions of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Registration Rights Agreement, which has been filed as an exhibit to the Registration Statement and a copy of which is available as set forth under the heading "Available Information."

TERMS OF THE EXCHANGE OFFER

The Issuers and Continental entered into the Registration Rights Agreement with the Initial Purchasers pursuant to which each of the Issuers and Continental agreed, for the benefit of and at no cost to the holders of the Notes, to the extent not prohibited by any applicable law or interpretation of the staff of the Commission, (i) to use its best efforts to file with the Commission within 120 days after the Closing Date the Exchange Offer Registration Statement with respect to the offer to exchange the Notes for the Exchange Notes, which will have terms identical in all material respects to the Notes entitled to make such exchange (except that the Exchange Notes will not contain terms with respect to transfer restrictions (other than transfer restrictions relating to certain ERISA matters) or interest rate increases as described herein and the Exchange Notes will be available only in book-entry form), (ii) to use its best efforts to cause the Exchange Offer Registration Statement to be declared effective by the Commission within 180 days after the Closing Date, (iii) to use its best efforts to cause such Exchange Offer Registration Statement to remain effective until the closing of the Exchange Offer and (iv) to consummate the Exchange Offer within 210 days after the Closing Date. Promptly after the Exchange Offer Registration Statement has been declared effective, the Issuers and Continental will offer the Exchange Notes in exchange for surrender of the Notes. The Issuers and Continental will keep the Exchange Offer open for not less than 30 days (or longer if required by applicable law) after the date notice of the Exchange Offer is mailed to the holders of the Notes. For each Note duly tendered pursuant to the Exchange Offer and not validly withdrawn by the holder thereof, the holder of such Note will receive an Exchange Note having a face amount equal to that of the tendered Note.

Based on interpretations of the Securities Act by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Issuers and the Company believe that the Exchange Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a Participating Broker-Dealer), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such Exchange Notes and have no arrangement with any person to participate in a distribution of such Exchange Notes. By tendering the Old Notes in exchange for Exchange Notes, each holder will represent to the Issuers and the Company that: (i) it is not an affiliate of the Issuers or the Company (as defined under Rule 405 of the Securities Act) or a broker-dealer tendering Old Notes acquired directly from the Issuers or the Company for its own account; (ii) any Exchange Notes to be received by it were acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding to participate in a distribution of the Exchange Notes. If a holder of Old Notes is an affiliate of the Issuers or the Company or is a broker-dealer who purchased Old Notes directly from the Issuers for its own account or is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as a

result of market-making activities or other trading activities. The Issuers and the Company have agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, they will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, it may be necessary to qualify for sale or register the Exchange Notes prior to offering or selling such Exchange Notes. The Issuers and the Company have agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the Exchange Notes for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit the holders of Exchange Notes to trade Exchange Notes without any restrictions or limitations under the securities laws of the several states of the United States.

If (i) any changes in law or applicable interpretations thereof by the staff of the Commission do not permit the Issuers to effect the Exchange Offer, (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days after the Closing Date under certain circumstances or the Exchange Offer is not consummated within 210 days after the Closing Date, (iii) at the request of a holder (other than an Initial Purchaser) not eligible to participate in the Exchange Offer or (iv) at the request of an Initial Purchaser under certain other circumstances described in the Registration Rights Agreement, each of the Issuers and Continental will, in lieu of effecting the registration of the Exchange Notes pursuant to the Exchange Offer Registration Statement and at no cost to the holders of Notes, (a) as promptly as practicable, file with the Commission the Shelf Registration Statement covering resales of the Notes, (b) use its best efforts to cause the Shelf Registration Statement to be declared effective under the Securities Act by the 180th day after the Closing Date (or promptly in the event of a request by any holder or Initial Purchaser pursuant to clause (iii) or (iv) above, respectively) and (c) use its best efforts to keep effective the Shelf Registration Statement for a period of two years after its effective date (or for such shorter period as shall end when all of the Notes covered by the Shelf Registration Statement have been sold pursuant thereto or may be freely sold pursuant to Rule 144 under the Securities Act). The Issuers and Continental will, in the event of the filing of a Shelf Registration Statement, provide to each holder of the Notes copies of the prospectus which is a part of the Shelf Registration Statement, notify each such holder when the Shelf Registration Statement for such Notes has become effective and take certain other actions as are required to permit unrestricted resales of such Notes. A holder of Notes who sells such Notes pursuant to the Shelf Registration Statement generally will be required to be named as a selling securityholder in the related prospectus and to deliver the prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Rights Agreement which are applicable to such a holder (including certain indemnification obligations). In addition, each holder of such Notes will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Notes included in the Shelf Registration Statement.

In the event that no Registration Event has occurred on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Notes shall be increased by 0.50% from and including such 210th day to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which all of the Notes otherwise become transferable by holders of the Notes (other than affiliates or former affiliates of the Issuers or Continental) without further registration under the Securities Act. In the event that the Shelf Registration Statement (if filed) ceases to be effective at any time during the period specified by the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate per annum payable in respect of the Notes shall be increased 0.50% from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of such period specified by the Registration Rights Agreement).

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The term "Expiration Date" shall mean , 1998 (30 calendar days following the commencement of the Exchange Offer), unless the Issuers and the Company, in their sole discretion, extend the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended. Notwithstanding any extension of the Exchange Offer, if the Exchange Offer is not consummated by November 13, 1998, the interest rate borne by the Notes is subject to increase. See "-- Terms of the Exchange Offer."

In order to extend the Expiration Date, the Issuers and the Company will notify the Exchange Agent of any extension by oral or written notice and will notify the holders of the Old Notes by means of a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Such announcement may state that Issuers and the Company are extending the Exchange Offer for a specified period of time.

The Issuers and the Company reserve the right (i) to delay acceptance of any Old Notes, to extend the Exchange Offer or to terminate the Exchange Offer and not permit acceptance of Old Notes not previously accepted if any of the conditions set forth herein under "-- Certain Conditions to the Exchange Offer" shall have occurred and shall not have been waived by the Company, by giving oral or written notice of such delay, extension or termination to the Exchange Agent, or (ii) to amend the terms of the Exchange Offer in any manner deemed by it to be advantageous to the holders of the Old Notes. Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the Exchange Agent. If the Exchange Offer is amended in a manner determined by the Issuers and the Company to constitute a material change, the Issuers and the Company will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the Old Notes of such amendment.

Without limiting the manner in which the Issuers and the Company may choose to make public announcement of any delay, extension, amendment or termination of the Exchange Offer, the Issuers and the Company shall have no obligation to publish, advertise, or otherwise communicate any such public announcement, other than by making a timely release to an appropriate news agency.

INTEREST ON THE EXCHANGE NOTES

The Exchange Notes will bear interest at the rate of 8 1/8% per annum, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 1998, to holders of record on the March 15 and September 15 immediately preceding such interest payment date. Holders of Exchange Notes of record on September 15, 1998 will receive interest on October 1, 1998 from the date of issuance of the Exchange Notes, plus an amount equal to the accrued interest on the Old Notes from the date of issuance of the Old Notes, April 17, 1998, to the date of exchange thereof. Interest on the Old Notes accepted for exchange will cease to accrue upon issuance of the Exchange Notes.

PROCEDURES FOR TENDERING

To tender in the Exchange Offer, a holder must complete, sign and date the Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal or such facsimile, together with any other required documents, to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. In addition, either (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal, (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Notes, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF OLD NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE

USED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE ISSUERS OR THE COMPANY. Delivery of all documents must be made to the Exchange Agent at its address set forth below. Holders may also request their respective brokers, dealers, commercial banks, trust companies or nominees to effect such tender for such holders.

The tender by a holder of Old Notes will constitute an agreement among such holder, the Issuers and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

Only a holder of Old Notes may tender such Old Notes in the Exchange Offer. The term "holder" with respect to the Exchange Offer means any person in whose name Old Notes are registered on the books of the Issuers or any other person who has obtained a properly completed bond power from the registered holder.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his behalf. If such beneficial owner wishes to tender on his own behalf, such beneficial owner must, prior to completing and executing the Letter of Transmittal and delivering his Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by any member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor" institution within the meaning of Rule 17Ad-15 under the Exchange Act (each an "Eligible Institution") unless the Old Notes tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution.

If the Letter of Transmittal is signed by a person other than the registered holder of any Old Notes listed therein, such Old Notes must be endorsed or accompanied by bond powers and a proxy which authorizes such person to tender the Old Notes on behalf of the registered holder, in each case as the name of the registered holder or holders appears on the Old Notes.

If the Letter of Transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Issuers and the Company, evidence satisfactory to the Issuers and the Company of their authority to so act must be submitted with the Letter of Transmittal.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of the tendered Old Notes will be determined by the Issuers and the Company in their sole discretion, which determination will be final and binding. The Issuers and the Company reserve the absolute right to reject any and all Old Notes not properly tendered or any Old Notes which, if accepted, would, in the opinion of the Issuers and the Company or their counsel, be unlawful. The Issuers and the Company also reserve the absolute right to waive any conditions of the Exchange Offer or irregularities or conditions of tender as to particular Old Notes. The Issuers' and the Company's interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as the Issuers and the Company shall determine. Neither the Issuers, the Company, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Notes, nor shall any of them incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost to such holder

by the Exchange Agent to the tendering holders of Old Notes, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, the Issuers and the Company reserve the right in their sole discretion, subject to the provisions of the Indenture, to (i) purchase or make offers for any Old Notes that remain outstanding subsequent to the Expiration Date or, as set forth under "-- Certain Conditions to the Exchange Offer," to terminate the Exchange Offer in accordance with the terms of the Registration Rights Agreement and (ii) to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

ACCEPTANCE OF OLD NOTES FOR EXCHANGE; DELIVERY OF EXCHANGE NOTES

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, all Old Notes properly tendered will be accepted, promptly after the Expiration Date, and the Exchange Notes will be issued promptly after acceptance of the Old Notes. See "-- Certain Conditions to the Exchange Offer" below. For purposes of the Exchange Offer, Old Notes shall be deemed to have been accepted as validly tendered for exchange when, as and if the Issuers and the Company have given oral or written notice thereof to the Exchange Agent.

In all cases, issuance of Exchange Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or nonexchanged Old Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by book-entry transfer procedures described below, such nonexchanged Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof with any required signature guarantees and any other required documents must, in any case, be transmitted to and received by the Exchange Agent at one of the addresses set forth below under "-- Exchange Agent" on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

DTC's Automated Tender Offer Program ("ATOP") is the only method of processing exchange offers through DTC. To accept the Exchange Offer through ATOP, participants in DTC must send electronic instructions to DTC through DTC's communication system in place for sending a signed, hard copy of the Letter of Transmittal. DTC is obligated to communicate those electronic instructions to the Exchange Agent. To tender Old Notes through ATOP, the electronic instructions sent to DTC and transmitted by DTC to the Exchange Agent must contain the character by which the participant acknowledges its receipt of and agrees to be bound by the Letter of Transmittal.

GUARANTEED DELIVERY PROCEDURES

If a registered holder of the Old Notes desires to tender such Old Notes, and the Old Notes are not immediately available, or time will not permit such holder's Old Notes or other required documents to reach

the Exchange Agent before the Expiration Date, or the procedures for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes, the registration number(s) of such Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery, the Letter of Transmittal (or facsimile thereof) together with the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL OF TENDERS

Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the business day prior to the Expiration Date.

For a withdrawal to be effective, a written notice (telegram, telex, facsimile transmission or letter) of withdrawal must be received by the Exchange Agent prior to 5:00 p.m., New York City time, on the business day prior to the Expiration Date at one of the addresses set forth below under "-- Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Notes to be withdrawn, identify the Old Notes to be withdrawn (including the principal amount of such Old Notes), (where certificates for Old Notes have been transmitted) specify the name in which such Old Notes are registered, if different from that of the withdrawing holder and a statement that such holder is withdrawing its election to have such Old Notes exchanged. If certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such holder is an Eligible Institution. If Old Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Issuers and the Company, whose determination shall be final and binding on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "-- Procedures for Tendering" and "-- Book-Entry Transfer" above at any time on or prior to the Expiration Date.

CERTAIN CONDITIONS TO THE EXCHANGE OFFER

The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer, or the making of any exchange by a holder, does not violate applicable law or any applicable interpretation of the SEC. Each holder of Old Notes (other than Participating Broker-Dealers) who wishes to exchange such Old Notes for Exchange Notes in the Exchange Offer shall represent that (i) it is neither an "affiliate" of any of the Issuers or the Company within the meaning of Rule 405 under the 1933 Act, nor a broker-dealer tendering

Old Notes acquired directly from the Issuers or the Company for its own account, (ii) any Exchange Notes to be received by it were acquired in the ordinary course of business and (iii) it has no arrangement with any Person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Notes.

Notwithstanding any other term of the Exchange Offer, Old Notes will not be required to be accepted for exchange, nor will Exchange Notes be issued in exchange for any Old Notes, and the Issuers and the Company may terminate or amend the Exchange Offer as provided herein before the acceptance of such Old Notes, if because of any change in law, or applicable interpretations thereof by the Commission, the Issuers and the Company determine that it is not permitted to effect the Exchange Offer. The Issuers and the Company have no obligation to, and will not knowingly, permit acceptance of tenders of Old Notes from affiliates of the Issuers and the Company (within the meaning of Rule 405 under the Securities Act) or from any other holder or holders who are not eligible to participate in the Exchange Offer under applicable law or interpretations thereof by the Commission, or if the Exchange Notes to be received by such holder or holders of Old Notes in the Exchange Offer, upon receipt, will not be tradable by such holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the "blue sky" or securities laws of substantially all of the states of the United States.

EXCHANGE AGENT

Bank One, N.A., the Trustee under the Indenture, has been appointed as Exchange Agent for the Exchange Offer. Questions and requests for assistance and inquiries for additional copies of this Prospectus or of the Letter of Transmittal should be directed to the Exchange Agent addressed as follows:

By Mail, Hand or Overnight Courier	Facsimile Transmission Number
Bank One, N.A.	614-244-5185
235 West Schrock Road	or 614-244-5188
Westerville, OH 43271-0184	
Attention: Corporate Trust Operations	(For Eligible Institutions Only)
Lora Marsch	Confirm by Telephone
(If by Mail, Registered or Certified Mail Recommended)	614-248-4856

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

FEES AND EXPENSES

The expenses of soliciting tenders pursuant to the Exchange Offer will be borne by the Issuers and the Company. The principal solicitation for tenders pursuant to the Exchange Offer is being made by mail; however, additional solicitations may be made by telegraph, telephone, telecopy or in person by officers of the Issuers and the Company and regular employees of the Company.

The Issuers and the Company will not make any payments to brokers, dealers or other persons soliciting acceptances of the Exchange Offer. The Issuers and the Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse the Exchange Agent for its reasonable out-of-pocket expenses in connection therewith. The Issuers and the Company may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the Prospectus and related documents to the beneficial owners of the Old Notes, and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with the Exchange Offer will be paid by the Issuers and the Company, including fees and expenses of the Exchange Agent and Trustee and accounting, legal, printing and related fees and expenses.

The Issuers and the Company will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered, or if tendered Old Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE AND REQUIREMENTS FOR TRANSFER OF EXCHANGE NOTES

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the provisions in the Indenture regarding transfer and exchange of the Old Notes and the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the issuance of the Old Notes pursuant to exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer Restrictions on Old Notes." In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Issuers and the Company do not currently anticipate that they will register the Old Notes under the Securities Act subsequent to the Exchange Offer. Based on interpretations by the staff of the Commission, as set forth in no-action letters issued to third parties, including the Exchange Offer No-Action Letters, the Issuers and the Company believe that the Exchange Notes issued pursuant to the Exchange Offer may be offered for resale, resold or otherwise transferred by holders thereof (other than a broker-dealer who acquires such Exchange Notes directly from the Issuers and the Company for resale pursuant to Rule 144A under the Securities Act or any other available exemption under the Securities Act or any holder that is an "affiliate" of the Issuers or the Company as defined in Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not engaged in, and do not intend to engage in, a distribution of such Exchange Notes and have no arrangement with any person to participate in a distribution of such Exchange Notes. By tendering the Old Notes in exchange for Exchange Notes, each holder, other than a broker-dealer, will represent to the Issuers and the Company that: (i) it is not an affiliate of the Issuers or the Company (as defined under Rule 405 of the Securities Act) or a broker-dealer tendering Old Notes acquired directly from the Issuers or the Company for its own account; (ii) any Exchange Notes to be received by it will be acquired in the ordinary course of its business; and (iii) it is not engaged in, and does not intend to engage in, a distribution of such Exchange Notes and has no arrangement or understanding to participate in a distribution of the Exchange Notes. If a holder of Old Notes is engaged in or intends to engage in a distribution of the Exchange Notes or has any arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transaction. Each Participating Broker-Dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a Participating Broker-Dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a Participating Broker-Dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired by such Participating Broker-Dealer as a result of market-making activities or other trading activities. The Issuers and the Company have agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, they will make this Prospectus available to any Participating Broker-Dealer for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, it may be

necessary to qualify for sale or register the Exchange Notes prior to offering or selling such Exchange Notes. The Issuers and the Company have agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the Exchange Notes for offer or sale under the securities or "blue sky" laws of such jurisdictions as may be necessary to permit the holders of Exchange Notes to trade Exchange Notes without any restrictions or limitations under the securities laws of the several states of the United States.

DESCRIPTION OF THE NOTES

The Exchange Notes will be issued and the Old Notes were issued under an indenture dated as of April 1, 1998 (the "Indenture"), among Calair and Calair Capital, as joint and several obligors, Continental, as guarantor, and Bank One, N.A., as trustee (the "Trustee"), a copy of which has been filed as an exhibit to the Registration Statement and a copy of which is available as set forth under the heading "Available Information." The following summary of the material provisions of the Indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture, including the definitions of certain terms contained therein. For definitions of certain capitalized terms used in the following summary, see "-- Certain Definitions." Capitalized terms not otherwise defined below or elsewhere in this Prospectus have the meanings given to them in the Indenture. References to the Notes include the Old Notes and the Exchange Notes unless the context otherwise requires.

GENERAL

The Notes mature on April 1, 2008, are limited to $112.3 million aggregate principal amount and are unsecured, senior obligations of the Issuers. Each Exchange Note will bear interest at the rate set forth on the cover page hereof from its date of issue or from the most recent interest payment date to which interest has been paid or duly provided for, payable on October 1, 1998, and semiannually thereafter on April 1 and October 1 in each year until the principal thereof is paid or duly provided for to the Person in whose name the Exchange Note (or any predecessor Note) is registered at the close of business on the March 15 or September 15 next preceding such interest payment date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, premium, if any, and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at the office or agency of the Issuers in The City of New York maintained for such purposes (which initially will be the Corporate Trust Office of the Trustee c/o First Chicago Trust Company of New York, 14 Wall Street, 8th Floor, Suite 4607, New York, New York 10005); provided, however, that, at the option of the Issuers, interest may be paid by check mailed to the address of the Person entitled thereto as such address shall appear on the security register. The Exchange Notes will be issued only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof. No service charge will be made for any registration of transfer or exchange or redemption of Notes, but the Issuers may require payment in certain circumstances of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Any Old Notes that remain outstanding after the completion of the Exchange Offer, together with the Exchange Notes issued in connection with the Exchange Offer, will be treated as a single class of securities under the Indenture.

THE PARENT GUARANTEE

Pursuant to the Indenture, Continental has unconditionally guaranteed the due and punctual payment of the principal of, premium, if any, and interest on the Notes when the same shall become due, whether by acceleration or otherwise. The Parent Guarantee is enforceable without any need first to enforce the Notes against either of the Issuers.

RANKING

The Notes are unsecured, senior obligations of the Issuers ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuers. The Parent Guarantee is an unsecured, senior obligation of Continental ranking pari passu in right of payment with all other existing and future unsecured and unsubordinated obligations of Continental, and senior in right of payment to all existing and future obligations of Continental expressly subordinated in right of payment to the Parent Guarantee. The Notes and the Parent Guarantee are effectively subordinated in right of payment to any secured senior obligations of the Issuers and Continental, respectively, with respect to the assets of the Issuers and Continental, respectively, securing such obligations. The Notes and the Parent Guarantee are also effectively subordinated to all existing and future liabilities of the subsidiaries of the Issuers and Continental, respectively. As of March 31, 1998, Continental had $2.0 billion (including current maturities) of long-term debt and capital lease obligations on a consolidated basis of which approximately $1.4 billion was secured long-term debt and capital lease obligations of Continental and $146 million was long-term debt and capital lease obligations of Continental's subsidiaries, and on a pro forma basis after giving effect to the issuance of the Old Notes, the Issuers would have had no indebtedness outstanding other than the Notes.

The Indenture contains no limitations on the ability of the Issuers or Continental or any of their respective Subsidiaries to incur additional indebtedness in the future or to mortgage or pledge any of their respective assets or to pay dividends or make other distributions on, or redeem or repurchase, capital stock.

SINKING FUND

The Notes are not entitled to the benefit of any sinking fund.

REDEMPTION

The Notes are redeemable at the option of the Issuers, in whole or in part, at any time and from time to time, on not less than 20 nor more than 60 days' prior notice, at a redemption price equal to the sum of (i) the principal amount thereof on the redemption date, (ii) accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on relevant record dates to receive interest due on an interest payment date), plus (iii) a Make-Whole Premium, if any.

"Make-Whole Premium" is defined, with respect to a Note, as the excess, if any, of (A) the present value of the required interest and principal payments due on such Note on or after the redemption date, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (B) the sum of the then outstanding principal amount of such Note plus the accrued and unpaid interest thereon, if any, paid on the redemption date.

"Treasury Rate" is defined as the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining Average Life of the Notes; provided, however, that if the Average Life of the Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Average Life of the Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed will be selected not more than 60 days prior to the redemption date by the Trustee pro rata, by lot, or by such other method as the Trustee will deem fair and appropriate; provided, however, that no such partial redemption will reduce the principal amount of a Note not redeemed to less than $1,000. Notice of redemption will be mailed, first-class postage prepaid, at least 20 but not more than 60 days before the redemption date to each holder of Notes to

be redeemed at its registered address. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption and accepted for payment.

CERTAIN COVENANTS

The Indenture contains, among others, the following covenants:

Reports

Continental will file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not Continental has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that Continental would be required to file if it were subject to Section 13 or 15 of the Exchange Act. Continental is also required (a) to file with the Trustee copies of such reports and documents within 15 days after the date on which Continental files such reports and documents with the Commission or the date on which Continental would be required to file such reports and documents if Continental were so required, and (b) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, to supply at Calair's cost copies of such reports and documents to any holder of Notes promptly upon written request. The Issuers are not required to file, provide or furnish with or to any Person any report or information except as required by Section 13 or 15 of the Exchange Act and as described under "Available Information."

Consolidation, Merger and Sale of Assets

None of Calair, Calair Capital or Continental will, in a single transaction or through a series of transactions, consolidate with or merge with or into any other Person, or permit any Person to consolidate with or merge into Calair, Calair Capital or Continental, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any other Person or Persons if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of Calair and its Subsidiaries, Calair Capital and its Subsidiaries or Continental and its Subsidiaries on a consolidated basis to any other Person or group of affiliated Persons, unless at the time and immediately after giving effect thereto (i) either (a) Calair, Calair Capital or Continental will be the continuing corporation (or, in the case of Calair, the continuing limited liability company or the continuing corporation) or (b) the Person (if other than Calair, Calair Capital or Continental) formed by such consolidation or into which Calair, Calair Capital or Continental is merged or the Person or group of affiliated Persons that acquire by sale, assignment, conveyance, transfer, lease or disposition all or substantially all the properties and assets of Calair and its Subsidiaries, Calair Capital and its Subsidiaries or Continental and its Subsidiaries on a consolidated basis (the "Surviving Entity") (1) will be a corporation (or, in the case of the successor to Calair, a limited liability company or a corporation) duly organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and (2) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, Calair's or Calair Capital's obligation for the due and punctual payment of the principal of, premium, if any, and interest on all the Notes (or Continental's obligations under the Parent Guarantee, as the case may be) and the performance and observance of every covenant of the Indenture on the part of Calair, Calair Capital or Continental, as the case may be, to be performed or observed; and (ii) immediately before and immediately after giving effect to such transaction or series of transactions, no Event of Default will have occurred and be continuing. Notwithstanding anything to the contrary contained in this paragraph, Calair Capital shall not merge into, or consolidate with, any entity if, as a result thereof, no Issuer would be a corporation.

In connection with any such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, Calair, Calair Capital, Continental or the Surviving Entity shall deliver to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Opinion of Counsel stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with.

In connection with any such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, the holders of the Notes do not have the right to require the redemption thereof or any similar rights.

EVENTS OF DEFAULT

The following are "Events of Default" under the Indenture:

(i) default in the payment of any installment of interest on any Note when it becomes due and payable and continuance of such default for a period of 30 days;

(ii) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional redemption, required purchase or otherwise);

(iii) default in the performance, or breach, of the "Consolidation, Merger and Sale of Assets" covenant;

(iv) default in the performance, or breach, of any covenant of the Issuers or Continental contained in the Indenture (other than a default in the performance, or breach, of a covenant which is specifically dealt with in clauses (i), (ii) or (iii) above) and continuance of such default or breach for a period of 60 days after written notice shall have been given to the Issuers or Continental by the Trustee or to the Issuers, Continental and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(v) the Parent Guarantee shall for any reason cease to be, or shall be asserted in writing by Continental or either Issuer not to be, enforceable in accordance with its terms and the terms of the Indenture; and

(vi) the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to either Issuer or Continental.

If an Event of Default (other than as specified in clause (vi) above) shall occur and be continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuers and Continental (and to the Trustee if such notice is given by the holders), may, and the Trustee upon the written request of such holders shall, declare the principal of, premium, if any, and accrued interest on the Notes to be immediately due and payable, and upon any such declaration of acceleration all such amounts payable in respect of the Notes shall be immediately due and payable. If an Event of Default specified in clause (vi) above occurs and is continuing, then the principal of, premium, if any, and accrued interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.

At any time after such a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of at least a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuers, Continental and the Trustee, may rescind such declaration and its consequences if (a) the Issuers or Continental have paid or deposited with the Trustee a sum sufficient to pay (i) all overdue interest on all Notes, (ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate prescribed therefor by the Notes, and (iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; (b) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, or interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived; and (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holders of at least a majority in aggregate principal amount of the outstanding Notes, by notice to the Trustee, may waive all past Defaults and Events of Default and their consequences under the Indenture (except a default in the payment of the principal of, premium, if any, or interest on any Note, or in respect of a covenant or provision under the Indenture which cannot be modified or amended without the consent of the holder of each outstanding Note affected thereby) if (i) all existing Events of Default, other than the nonpayment of principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within 30 days after it occurs unless such Default or Event of Default has been cured. Except in the case of a default in the payment of the principal of, premium, if any, or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if the board of directors, the executive committee or a trust committee of its directors and/or officers in good faith determines that withholding the notice is in the interest of the holders of the Notes.

The Issuers and Continental are required to furnish to the Trustee annual statements as to the performance by the Issuers and Continental of their obligations under the Indenture and as to any default in such performance. The Issuers and Continental are also required to notify the Trustee within five Business Days of actual knowledge by a Responsible Officer of the Issuers of an Event of Default.

DEFEASANCE OR COVENANT DEFEASANCE OF INDENTURE

The Issuers may, at their option and at any time, elect to have their obligations under the Notes discharged with respect to the outstanding Notes ("defeasance"). Such defeasance means that the Issuers will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes and to have satisfied all of their other obligations under such Notes and the Indenture insofar as such Notes are concerned except for (i) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (ii) the Issuers' obligations to issue temporary Notes, register the transfer or exchange of any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee and (iv) the defeasance provisions of the Indenture. In addition, the Issuers may, at their option and at any time, elect to have their obligations released with respect to certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the Notes ("covenant defeasance").

In order to exercise either defeasance or covenant defeasance, (i) the Issuers must irrevocably deposit or cause to be deposited with the Trustee, as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the Notes, cash in United States dollars, U.S. Government Obligations (as defined in the Indenture), or a combination thereof, in such amounts as will be sufficient (as indicated in an opinion of a nationally recognized firm of independent public accountants in the case of deposit of U.S. Government Obligations or a combination of cash and U.S. Government Obligations) to pay and discharge the principal of, premium, if any, and interest on the outstanding Notes on the Stated Maturity (or redemption date, if applicable) of such principal, premium, if any, or installment of interest; (ii) no Default or Event of Default with respect to the Notes will have occurred and be continuing on the date of such deposit or, insofar as an event of bankruptcy under clause (vi) of "Events of Default" above is concerned, at any time during the period ending on the 91st day after the date of such deposit; (iii) such defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which any Issuer or Continental is a party or by which any of them is bound; (iv) in the case of defeasance, the Issuers and Continental shall have delivered to the Trustee an Opinion of Counsel stating that the Issuers and Continental have received from, or there has been published by, the Internal Revenue Service a ruling, or since April 1, 1998, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a

result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred; (v) in the case of covenant defeasance, the Issuers and Continental shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and (vi) the Issuers shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance or the covenant defeasance, as the case may be, have been complied with.

SATISFACTION AND DISCHARGE

Except as otherwise provided in the Indenture, the Issuers and Continental may terminate their obligations under the Notes and the Indenture if: (i) all Notes previously authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or Notes that are paid pursuant to the Indenture or Notes for whose payment money or securities have theretofore been held in trust and thereafter repaid to the Issuers, as provided in the Indenture) have been delivered to the Trustee for cancellation and the Issuers and Continental have paid all sums payable by them hereunder; or (ii)(A) the Notes mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (B) the Issuers irrevocably deposit in trust with the Trustee during such one-year period, under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds solely for the benefit of the holders for that purpose, cash or U.S. Government Obligations sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee in the case of deposit of U.S. Government Obligations or a combination of cash and U.S. Government Obligations), without consideration of any reinvestment of any interest thereon, to pay principal, premium, if any, and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (C) no Default or Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit, and (D) the Issuers and Continental have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of the Indenture have been complied with.

With respect to the foregoing clause (i), the Issuers' and Continental's obligations under the Indenture relating to compensation of the Trustee and indemnity shall survive. With respect to the foregoing clause (ii), the Issuers' and Continental's obligations under the Indenture relating to registration, transfer and exchange of the Notes, defaulted interest, payment on the Notes, maintenance of office or agency, compensation of the Trustee and indemnity, replacement of the Trustee, application of trust money, repayment and reinstatement shall survive until the Notes are no longer outstanding. Thereafter, only the Issuers' and Continental's obligations under the Indenture relating to compensation of the Trustee and indemnity, repayment and reinstatement shall survive. After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Issuers' and Continental's obligations under the Notes and the Indenture except for those surviving obligations specified above.

MODIFICATIONS AND AMENDMENTS

Modifications and amendments of the Indenture may be made by a supplemental indenture entered into by the Issuers, Continental and the Trustee with the consent of the holders of a majority in aggregate outstanding principal amount of the Notes then outstanding; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby: (i) change the Stated Maturity of the principal of, or any installment of interest on, any Note, or reduce the principal amount of, or premium, if any, or interest thereon or change the place or currency of payment of principal of, or premium, if any, or the interest on any Note, or impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of redemption, on or after the redemption date) of any Note; (ii) reduce the percentage in principal amount of outstanding Notes, the consent of whose holders

is required for any supplemental indenture, for any waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults and their consequences provided for in the Indenture; (iii) waive a default in the payment of principal of, premium, if any, or interest on the Notes, (iv) modify the Parent Guarantee or the related section in the Indenture in any manner adverse to the interests of the holders of the Notes; (v) modify any of the provisions relating to supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required to take such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby; or (vi) except as otherwise permitted under the covenant described above under "-- Certain Covenants -- Consolidation, Merger and Sale of Assets" consent to the assignment or transfer by any Issuer or Continental of any of its rights or obligations under the Indenture.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Issuers, Continental and the Trustee may modify or amend the Indenture: (a) to evidence the succession of another Person to any of the Issuers or Continental or any other obligor or guarantor on the Notes, and the assumption by any such successor of the covenants of the Issuers or Continental or such obligor or guarantor in the Indenture and in the Notes in accordance with the covenant described above under "-- Certain Covenants -- Consolidation, Merger and Sale of Assets"; (b) to add to the covenants of the Issuers or Continental or any other obligor or guarantor upon the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Issuers or Continental or any other obligor or guarantor upon the Notes, as applicable, under the Indenture or the Notes; (c) to cure any ambiguity, or to correct or supplement any provision in the Indenture or the Notes which may be defective or inconsistent with any other provision in the Indenture or the Notes or make any other provisions with respect to matters or questions arising under the Indenture or the Notes; provided that, in each case, such provisions shall not adversely affect the interests of the holders of the Notes; (d) to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; (e) to add a guarantor of the Notes under the Indenture (in addition to Continental); (f) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture; or (g) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the holders of the Notes as additional security for the payment and performance of the obligations of the Issuers and Continental under the Indenture, in any property or assets.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain covenants and provisions of the Indenture.

THE TRUSTEE

The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will exercise such rights and powers vested in it under the Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise under the circumstances in the conduct of such Person's own affairs.

The Indenture and, upon consummation of the Exchange Offer, the provisions of the Trust Indenture Act, incorporated by reference therein contain limitations on the rights of the Trustee thereunder, should it become a creditor of the Issuers or Continental, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest (as defined in the Trust Indenture Act) it must eliminate such conflict or resign.

GOVERNING LAW

The Indenture and the Old Notes are, and the Exchange Notes will be, governed by, and construed in accordance with, the laws of the State of New York. Upon consummation of the Exchange Offer, the Indenture will be subject to the provisions of the Trust Indenture Act that are required to be part of the Indenture and will, to the extent applicable, be governed by such provisions.

CERTAIN DEFINITIONS

"Average Life" means, as of the date of determination with respect to any indebtedness, the quotient obtained by dividing (a) the sum of the products of (i) the number of years from the date of determination to the date or dates of each successive scheduled principal payment (including, without limitation, any sinking fund requirements) of such indebtedness multiplied by (ii) the amount of each such principal payment by (b) the sum of all such principal payments.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock, whether now outstanding or issued after the date of the Indenture.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"GAAP" means generally accepted accounting principles in the United States, as applied from time to time by any Person in the preparation of its consolidated financial statements.

"Maturity" means, with respect to any Note, the date on which any principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Stated Maturity" means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

"Subsidiary" means, with respect to any other Person, any Person a majority of the equity ownership or Voting Stock of which is at the time owned, directly or indirectly, by such Person or by one or more other Subsidiaries or by such Person and one or more other Subsidiaries.

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

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

TAX CONSIDERATIONS

The following is a summary of certain federal income tax consequences under the Internal Revenue Code of 1986, as amended (the "Code"), of the ownership and disposition of the Notes. The summary is based upon the laws, regulations, rulings and judicial decisions in effect on the date of this Prospectus, all of which are subject to change at any time (possibly on a retroactive basis). Unless otherwise specifically noted, this summary applies only to those persons who acquired the Old Notes for cash in the Old Notes Offering and who hold the Notes as capital assets. This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their particular investment circumstances, nor does it address the consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, tax-exempt organizations, dealers in securities, financial institutions, life insurance companies or persons holding Notes as part of a hedging or "conversion" transaction or a straddle). This summary also does not discuss the consequences to a holder under state, local or foreign tax laws, which may differ from the corresponding federal income tax laws. Holders of Notes are advised to consult their own tax advisors regarding the particular tax considerations pertaining to them with respect to ownership and disposition of the Notes, including the effects of applicable federal, state, local, foreign and other tax laws to which they may be subject, as well as possible changes in the tax laws.

Except as the context otherwise requires, references in the summary to the Notes apply to Old Notes and Exchange Notes received therefor (see "-- The Exchange Offer").

PAYMENTS OF INTEREST

A holder of a Note generally will be required to report as ordinary income for federal income tax purposes interest received or accrued on the Note in accordance with the holder's method of tax accounting.

SALE, EXCHANGE OR RETIREMENT OF NOTES

A holder's tax basis in a Note generally will equal the purchase price paid therefor, increased by market discount previously included in income by such holder and reduced by any amortized premium and any principal payments on the Note. Upon the sale, exchange or retirement (including redemption) of Note, a holder of a Note generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or retirement of the Note (other than in respect of accrued and unpaid interest on the Note) and the adjusted tax basis in the Note. Such gain or loss generally will be capital gain or loss, except to the extent of any accrued market discount.

Under current law, net capital gains of individuals generally are subject to the following maximum federal tax rates: (i) twenty-eight percent, for property held more than one year but not more than eighteen months; (ii) twenty percent, for property held more than eighteen months; and (iii) beginning in the year 2006, eighteen percent, for property acquired after the year 2000 and held for more than five years. The deductibility of capital losses is subject to limitations.

THE EXCHANGE OFFER

The exchange of Old Notes for Exchange Notes pursuant to the Exchange Offer will not constitute a taxable exchange for federal income tax purposes because the Exchange Notes will not be considered to differ materially in kind or extent from the Old Notes. Rather, the Exchange Notes will be treated as a continuation of the Old Notes in the hands of the holder, with the results that (i) a holder will not recognize taxable gain or loss as a result of exchanging Notes for Exchange Notes pursuant to the Exchange Offer, (ii) the holding period of the Exchange Notes will include the holding period of the Old Notes exchanged therefor and (iii) the adjusted tax basis of the Exchange Notes immediately after the exchange will be the same as the adjusted tax basis immediately prior to the exchange of the Old Notes exchanged therefor.

FOREIGN HOLDERS

The following is a general discussion of certain United States federal income tax consequences of the ownership and sale or other disposition of the Notes by a holder that, for federal income tax purposes, is not a "United States person" (a "Foreign Person"). For purposes of this discussion, a "United States person" means a citizen or resident (as determined for United States federal income tax purposes) of the United States; a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof; an estate the income of which is includible in gross income for U.S. federal income tax purposes, regardless of its source; or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust. Resident alien individuals will be subject to United States federal income tax with respect to the Notes as if they were United States citizens.

If the income or gain on the Notes is "effectively connected with the conduct of a trade or business within the United States" by the Foreign Person holding the Note, such income or gain will be subject to tax essentially in the same manner as if the Notes were held by a United States person, as discussed above, and in the case of a Foreign Person that is a foreign corporation, may also be subject to the federal branch profits tax.

If the income on the Notes is not "effectively connected," then under the "portfolio interest" exception to the general rules for the withholding of tax on interest paid to a Foreign Person, a Foreign Person will not be subject to United States tax (or to withholding) on interest on a Note; provided that (i) the Foreign Person does not actually or constructively own 10% or more of a capital or profits interest in Continental within the meaning of Section 871(h)(3) of the Code, and (ii) the Company, its paying agent or the person who would otherwise be required to withhold tax received either (a) a statement (an "Owner's Statement") on the Internal Revenue Service's Form W-8, signed under penalties of perjury by the beneficial owner of the Note, in which the owner certifies that the owner is not a United States person and which provides the owner's name and address, or (b) a statement signed under penalties of perjury by a financial institution holding the Note on behalf of the beneficial owners, together with a copy of each beneficial owner's Owner's Statement. Recently finalized regulations, which generally will become effective on January 1, 2000, add certain alternative certification procedures. A Foreign Person who does not qualify for the "portfolio interest" exception would be subject to United States withholding tax at a flat rate of 30% (or a lower applicable treaty rate upon delivery of requisite certificate of eligibility) on interest payments on the Notes.

If the gain on the Notes is not "effectively connected" with the conduct of a United States trade or business, then gain recognized by a Foreign Person upon the redemption, sale or exchange of a Note (including any gain representing accrued market discount) will not be subject to United States tax unless the Foreign Person is an individual present in the United States for 183 days or more during the taxable year in which the Note is redeemed, sold or exchanged, and certain other requirements are met, in which case the Foreign Person will be subject to United States tax at a flat rate of 30% (unless exempt by applicable treaty upon delivery of requisite certification of eligibility). Foreign Persons who are individuals may also be subject to tax pursuant to provisions of United States federal income tax law applicable to certain United States expatriates.

BACKUP WITHHOLDING

In general, a 31% backup withholding tax will apply to payments received with respect to Notes if the holder (i) fails to provide a taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) is notified by the Internal Revenue Service that he or she failed to report properly payments of interest and dividends and the Internal Revenue Service has notified the Issuers that he or she is subject to backup withholding, or (iv) fails, under certain circumstances, to provide a signed statement, certified under penalties of perjury, that the TIN provided is correct and that he or she is not subject to backup withholding. The amount of any backup withholding deducted from a payment to a holder is allowable as a credit against the holder's federal income tax liability, provided that certain required information is furnished to the Internal Revenue Service. Certain holders (including, among others, corporations and foreign individuals who comply

with certain certification requirements described above under "Foreign Holders") are not subject to backup withholding. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

TRANSFER RESTRICTIONS ON OLD NOTES

Each purchaser of Old Notes from the Initial Purchasers, by its acceptance thereof, was deemed to have acknowledged, represented to and agreed with the Issuers, Continental and the Initial Purchasers as follows:

1. It understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. It is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuers or Continental or acting on behalf of the Issuers or Continental, and it is either (i) a "qualified institutional buyer" as defined in Rule 144A (a "QIB") and is aware that any sale of the Notes to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a "U.S. person" as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S.

3. It acknowledges that none of the Issuers, Continental, the Initial Purchasers nor any person representing the Issuers, Continental or the Initial Purchasers has made any representation to it with respect to the Issuers or Continental or the Old Notes Offering, other than the information contained in the Offering Memorandum relating to the Old Notes, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning the Issuers and Continental and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Issuers and Continental and the Initial Purchasers.

4. It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to the date which is two years after the later of the date of original issue of such Notes and the last date that the Issuers or any affiliate of the Issuers was the owner of such Notes (or any predecessor thereto) (the "Resale Restriction Termination Date") only (i) to the Issuers, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S, (v) to an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is an institutional investor (an "Institutional Accredited Investor") purchasing for its own account or for the account of such an Institutional Accredited Investor, in each case in a minimum principal amount of the Notes of $250,000, or (vi) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made

pursuant to clause (v) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of Annex A of the Offering Memorandum relating to the Old Notes to the Issuers and the Trustee, which shall provide, among other things, that the transferee is an Institutional Accredited Investor that is acquiring such Notes not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Issuers and the Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clauses (iv), (v) or (vi) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuers and the Trustee. Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN THE CASE OF ANY OF THE FOREGOING CLAUSES (A) THROUGH (F), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE ISSUERS AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

5. If it is an insurance company, the funds to be used to purchase the Notes by it constitute (x) assets of an insurance company general account maintained by it and the acquisition and holding of each such Note by such account satisfies the requirements of United States Department of Labor Prohibited Transaction Class Exemption ("PTCE") 95-60 or (y) assets of an insurance company pooled separate account satisfying

the conditions of PTCE 90-1. If it is not an insurance company, no part of the funds to be used to purchase the Notes to be purchased by it constitute assets of any trust or other entity which contains, or is deemed to contain, the assets of any employee benefit plan such that the use of such assets constitutes a non-exempt prohibited transaction under ERISA or the Code. As used in this paragraph, the term "employee benefit plan" shall have the meaning assigned to such term in Section 3 of ERISA.

6. It acknowledges that the Issuers, Continental, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuers, Continental and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

BOOK-ENTRY; DELIVERY AND FORM

THE GLOBAL NOTE

The Exchange Notes will be issued in the form of one or more global notes in registered form, without interest coupons (collectively, the "Global Note"). The Global Note will be deposited on the Expiration Date with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee of DTC, or will remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between DTC and the Trustee.

CERTAIN BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTE

DTC has advised the Issuers that it is (i) a limited purpose trust company organized under the laws of the State of New York, (ii) a "banking organization" within the meaning of the New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended, and (v) a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities for its participants (collectively, the "Participants") and facilitates the clearance and settlement of securities transactions between Participants through electronic book-entry changes to the accounts of its Participants, thereby eliminating the need for physical transfer and delivery of certificates. DTC's Participants include securities brokers and dealers (including the), banks and trust companies, clearing corporations and certain other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Investors who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants.

The Issuers expect that pursuant to procedures established by DTC (i) upon deposit of the Global Note, DTC or its nominee will credit the accounts of Participants with payments in amounts proportionate to their respective beneficial interests in the Global Note as shown on the records of DTC or such nominee and (ii) ownership of beneficial interests in the Global Note will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of Participants) and the records of Participants and the Indirect Participants (with respect to the interests of persons other than Participants).

The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a Global Note to such persons may be limited. In addition, because DTC can act only on behalf of its Participants, who in turn act on behalf of persons who hold interests through Participants, the ability of a person having an interest in Notes represented by a Global Note to pledge or transfer such interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of the Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have Notes represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Certificated Notes, and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee thereunder. Accordingly, each holder owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if such holder is not a Participant or an Indirect Participant, on the procedures of the Participant through which such holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or such Global Note. The Issuers understand that under existing industry practice, in the event that the Issuers request any action of holders of Notes, or a holder that is an owner of a beneficial interest in a Global Note desires to take any action that DTC, as the holder of such Global Note, is entitled to take, DTC would authorize the Participants to take such action and the Participants would authorize holders

owning through such Participants to take such action or would otherwise act upon the instruction of such holders. Neither the Issuers nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments with respect to the principal of, and premium, if any, and interest on, any Notes represented by a Global Note registered in the name of DTC or its nominee on the applicable record date will be payable by the Trustee to or at the direction of DTC or its nominee in its capacity as the registered holder of the Global Note representing such Notes under the Indenture. Under the terms of the Indenture, the Issuers and the Trustee may treat the persons in whose names the Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither the Issuers nor the Trustee has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in a Global Note (including principal, premium, if any, and interest). Payments by the Participants and the Indirect Participants to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the Participants or the Indirect Participants and DTC.

Transfers between Participants in DTC will be effected in accordance with DTC's procedures and will be settled in same-day funds.

CERTIFICATED NOTES

If (i) the Issuers notify the Trustee in writing that DTC is no longer willing or able to act as a depositary or DTC ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed within 90 days of such notice or cessation, (ii) the Issuers, at their option, notify the Trustee in writing that they elect to cause the issuance of Notes in definitive form under the Indenture or (iii) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender by DTC of the Global Note, Certificated Notes will be issued to each person that DTC identifies as the beneficial owner of the Notes represented by the Global Note. Upon any such issuance, the Trustee is required to register such Certificated Notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither the Issuers nor the Trustee shall be liable for any delay by DTC or any Participant or Indirect Participant in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from DTC for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. The Issuers and the Company have agreed that, starting on the Expiration Date and ending on the close of business 180 days after the Expiration Date, they will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. A broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the Registration Rights Agreement (including certain indemnification rights and obligations). In addition, until such date, all dealers effecting transactions in the Exchange Notes may be required to deliver a prospectus.

The Issuers and the Company will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated

transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, the Issuers and the Company will promptly send additional copies of this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Issuers and the Company have agreed in the Registration Rights Agreement to pay all expenses incident to the Exchange Offer other than commissions or concessions of any brokers or dealers and to indemnify the holders of the Old Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the issuance of the Exchange Notes in connection with the Exchange Offer are being passed upon for Calair, Calair Capital and Continental by Vinson & Elkins L.L.P., Houston, Texas.

EXPERTS

The consolidated financial statements (including the financial statement schedule) of Continental Airlines, Inc. appearing in Continental Airlines, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 1997, incorporated by reference in this Prospectus and the Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

The consolidated balance sheet of Calair L.L.C. as of March 31, 1998 appearing in this Prospectus and the Registration Statement has been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENT

REPORT OF INDEPENDENT AUDITORS

The Member
Calair L.L.C.

We have audited the accompanying consolidated balance sheet of Calair L.L.C. (a Delaware limited liability company) as of March 31, 1998. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of Calair L.L.C. at March 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, Texas
March 31, 1998

CALAIR L.L.C.

CONSOLIDATED BALANCE SHEET
MARCH 31, 1998

ASSETS

Cash	$1,000
Total Assets	$1,000

MEMBER'S EQUITY

Member's Equity	$1,000
Total Member's Equity	$1,000

The accompanying notes are an integral part of this consolidated balance sheet.

CALAIR L.L.C.

NOTES TO CONSOLIDATED BALANCE SHEET

NOTE 1 -- ORGANIZATION

Calair L.L.C. ("Calair"), a Delaware limited liability company, and its wholly owned subsidiary, Calair Capital Corporation ("Calair Capital"), were formed in March 1998 for the purpose of acquiring certain take-off and landing rights at Chicago O'Hare Airport, Ronald Reagan Washington National Airport in Washington, D.C. and LaGuardia Airport (collectively, the "Slots") from Continental Airlines, Inc. ("Continental"). Calair has not commenced operations.

Under a proposed transaction, Continental will sell the Slots to Calair for $151.1 million. The transaction will be funded with a combination of debt and equity, which will include (i) $31.7 million in capital contributions from CALFINCO Inc. ("Calfinco"), a wholly owned subsidiary of Continental (representing a 76% equity interest in Calair), (ii) $10.0 million in capital contributions from Chase Equity Associates, L.P. ("CEA") (representing a 24% equity interest in Calair) and (iii) net proceeds of approximately $113 million from an offering of Senior Notes due 2008 (the "Senior Notes"). The Senior Notes will be fully and unconditionally guaranteed by Continental. At closing, Continental will lease the Slots back from Calair for a 10-year period pursuant to the terms of a Slot Lease Agreement between Calair and Continental.

Pursuant to the terms of a Redemption Option Agreement between Calair and CEA, Calair will have the right to redeem 50% of CEA's member interest (i.e. 12% of Calair) at the fifth anniversary of the closing date of the transaction and will have the right to redeem all of CEA's member interest (either 12% of Calair if Calair has previously exercised its fifth anniversary redemption option, or 24% otherwise) upon the occurrence of certain events described in the Redemption Option Agreement and the Company Agreement and at the tenth anniversary of the closing date of the transaction. If Calair has not redeemed all of CEA's member interest on or before the tenth anniversary of the closing date of the transaction, CEA will have the right to require the liquidation of Calair.

NOTE 2 -- PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet of Calair includes the accounts of Calair and its wholly owned subsidiary, Calair Capital. All intercompany transactions have been eliminated in consolidation.

NOTE 3 -- CAPITAL TRANSACTION

Calfinco, the sole member, acquired its equity in Calair for $1,000 in cash.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES TO WHICH IT RELATES OR ANY OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY OFFER OR SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUERS OR CONTINENTAL SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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PROSPECTUS

CALAIR L.L.C.

CALAIR CAPITAL CORPORATION

OFFER TO EXCHANGE

8 1/8% SENIOR NOTES DUE 2008, WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, FOR ANY AND ALL OUTSTANDING 8 1/8% SENIOR NOTES DUE 2008

FULLY AND UNCONDITIONALLY GUARANTEED BY

CONTINENTAL AIRLINES LOGO

Dated , 1998

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Continental Airlines, Inc.

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

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

(b) A corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

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

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

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

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

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

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

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

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

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

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

"No Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or

which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL, or (iv) for any transaction from which the Director derived any improper personal benefit. If the GCL is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of Directors of the Corporation shall be eliminated or limited to the full extent permitted by the GCL, as so amended."

Continental Airlines, Inc. maintains directors' and officers' liability insurance.

Calair L.L.C.

Calair L.L.C.'s Amended and Restated Company Agreement provides as follows:

Subject to limitations set forth in such Agreement, "(a) the Company hereby agrees, to the fullest extent permitted by Law, to indemnify, hold harmless and pay, and (b) the Company Liquidator, or any receiver or trustee of the Company (each of the foregoing Persons being an 'Indemnitor') (in the case of the Company Liquidator, receiver or trustee, to the extent of Company Property) shall indemnify, hold harmless and pay, all Expenses ('Indemnified Amounts') of any Member, and the direct and indirect members, partners, shareholders and other equity holders of any Member, and the successors and permitted assignees of each such Person (whether pursuant to an assignment for security or otherwise) and creditors of and surety providers with respect to, any of the foregoing, and their respective successors and assigns (whether pursuant to an assignment for security or otherwise) and each of the respective directors, officers, employees, administrators and agents of any of the foregoing (each an 'Indemnified Person'), which may be incurred or realized by or asserted against such Indemnified Person, relating to, growing out of or resulting from:

(i) Company Obligations. Any failure by the Company to perform or observe each of its covenants and obligations under this Agreement or any other Operative Document to which it is a party (collectively, the 'Covered Documents'), including Indemnified Amounts resulting from or arising out of or in connection with enforcement of the Covered Documents (or determining whether or how to enforce any Covered Documents, whether through negotiations, legal proceedings or otherwise), or responding to any subpoena or other legal process or informal investigative demand in connection herewith or therewith; or

(ii) Representations and Warranties. Any inaccuracy in, or any breach of, any written certification, representation or warranty made by or on behalf of the Company in any Covered Document or in any written report or certification required hereunder or under any other Covered Document, in each case (A) if but only if such certification, representation or warranty is made as of a specific date, as of the date as of which the facts stated therein were certified, represented or warranted and (B) in all other cases, as of any date or during any period to which such certification, representation or warranty may be applicable; or

(iii) Investigations; Litigation; Proceedings. Any investigation, litigation or proceeding, whether or not such Indemnified Person is a party thereto, that (A) relates to, grows out of or results from any action or omission, or alleged action or omission, by or on behalf of or attributable to the Company and (B) would not have resulted in Indemnified Amounts incurred or realized by or asserted against such Indemnified Person but for the Covered Documents or the transactions thereunder or contemplated thereby."

Calair L.L.C.'s Amended and Restated Company Agreement also provides as follows:

"The Company may maintain insurance, at its expense, to protect itself and any Member, or agent of the Company or another limited liability company, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the [Delaware Limited Liability Company] Act."

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Calair Capital Corporation.

The Bylaws of Calair Capital Corporation provide as follows:

"Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a 'proceeding'), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Section or otherwise."

For a discussion of Section 145 of the Delaware General Corporation Law, see "Indemnification of Directors and Officers -- Continental Airlines," above.

Calair Capital Corporation's Certificate of Incorporation limits the liability of directors to Calair Capital Corporation and its stockholders for monetary damages resulting from breaches of the directors' fiduciary duties, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit."

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following instruments and documents are included as Exhibits to this Registration Statement.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.1	-- Certificate of Formation of Calair L.L.C., dated March 30, 1998.
3.2	-- Amended and Restated Company Agreement of Calair L.L.C., dated as of April 17, 1998.
3.3	-- Certificate of Incorporation of Calair Capital Corporation, dated March 30, 1998.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.4	-- Bylaws of Calair Capital Corporation, dated March 31, 1998.
4.1	-- Form of 8 1/8% Senior Notes due 2008 (included as Exhibit B to Exhibit 4.2 below).
4.2	-- Senior Notes Indenture, dated as of April 1, 1998, among Calair L.L.C. and Calair Capital Corporation, as Issuers, Continental, as Guarantor, and Bank One, N.A., as Trustee.
4.3	-- Exchange and Registration Rights Agreement, dated as of April 17, 1988, among Calair L.L.C. and Calair Capital Corporation, as Note Issuers, and Continental Airlines, Inc., as Guarantor, and Chase Securities Inc., Credit Suisse First Boston Corporation and Morgan Stanley & Co. Incorporated, as Purchasers.
5.1	-- Opinion of Vinson & Elkins L.L.P., counsel for Continental Airlines, Inc., Calair L.L.C. and Calair Capital Corporation relating to the 8 1/8% Senior Notes due 2008.
8.1	-- Tax Opinion of Vinson & Elkins L.L.P., counsel for Continental Airlines, Inc., Calair L.L.C. and Calair Capital Corporation relating to the 8 1/8% Senior Notes due 2008 (contained in Exhibit 5.1 above).
10.1	-- Sale Agreement between Continental Airlines, Inc. and Calair L.L.C. dated as of April 17, 1998.
10.2	-- Slot Lease Agreement between Continental Airlines, Inc. and Calair L.L.C. dated as of April 17, 1998.
10.3	-- Redemption Option Agreement between Calair L.L.C. and Chase Equity Associates, L.P. dated as of April 17, 1998.
12.1	-- Statement regarding the computation of earnings to fixed charges of Continental Airlines, Inc.
23.1	-- Consent of Ernst & Young LLP.
23.2	-- Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1 above).
24.1	-- Powers of attorney executed by certain directors and officers of Continental.
24.2	-- Powers of attorney executed by certain directors and officers of CALFINCO Inc., as managing member of Calair L.L.C.
24.3	-- Powers of attorney executed by certain directors and officers of Calair Capital Corporation.
25.1	-- Statement of Eligibility and Qualification on Form T-1.
99.1	-- Form of Letter of Transmittal.
99.2	-- Form of Notice of Guaranteed Delivery.
99.3	-- Form of Letter to Registered Holders and Depository Trust Company Participants.
99.4	-- Form of Letter to Clients.

ITEM 22. UNDERTAKINGS

The undersigned Registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions described under Item 20 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other

than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrants hereby undertake to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

The undersigned Registrants hereby undertake to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

The undersigned Registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 30, 1998.

CONTINENTAL AIRLINES, INC.

By: /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
*	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	July 30, 1998
Gordon M. Bethune		
/s/ LAWRENCE W. KELLNER	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	July 30, 1998
Lawrence W. Kellner		
*	Vice President and Controller (Principal Accounting Officer)	July 30, 1998
Michael P. Bonds		
	Director	July , 1998
Thomas J. Barrack, Jr.		
	Director	July , 1998
Lloyd M. Bentsen, Jr.		
*	Director	July 30, 1998
David Bonderman		
*	Director	July 30, 1998
Gregory D. Brenneman		
	Director	July , 1998
Patrick Foley		
*	Director	July 30, 1998
Douglas H. McCorkindale		
*	Director	July 30, 1998
George G.C. Parker		

SIGNATURE	TITLE	DATE
*	Director	July 30, 1998
Richard W. Pogue		
	Director	July , 1998
William S. Price III		
*	Director	July 30, 1998
Donald L. Sturm		
*	Director	July 30, 1998
Karen Hastie Williams		
*	Director	July 30, 1998
Charles A. Yamarone		

*By /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Attorney-in-fact
July 30, 1998

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 30, 1998.

CALAIR CAPITAL CORPORATION

By: /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* Gordon M. Bethune	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	July 30, 1998
* Gregory D. Brenneman	Director	July 30, 1998
/s/ LAWRENCE W. KELLNER Lawrence W. Kellner	Executive Vice President and Chief Financial Officer (Principal Financial Officer) and Director	July 30, 1998
* Jeffery A. Smisek	Director	July 30, 1998
* Michael P. Bonds	Vice President and Controller (Principal Accounting Officer)	July 30, 1998

*By /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Attorney-in-fact
July 30, 1998

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on July 30, 1998.

CALAIR L.L.C.

By: CALFINCO Inc.
Managing Member

By:/s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
*	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director of CALFINCO Inc., Managing Member	July 30, 1998
Gordon M. Bethune		
*	Director of CALFINCO Inc., Managing Member	July 30, 1998
Gregory D. Brenneman		
/s/ LAWRENCE W. KELLNER	Executive Vice President and Chief Financial Officer (Principal Financial Officer) and Director of CALFINCO Inc., Managing Member	July 30, 1998
Lawrence W. Kellner		
*	Director of CALFINCO Inc., Managing Member	July 30, 1998
Jeffery A. Smisek		
*	Vice President and Controller (Principal Accounting Officer) of CALFINCO Inc., Managing Member	July 30, 1998
Michael P. Bonds		

*By /s/ LAWRENCE W. KELLNER
Lawrence W. Kellner
Attorney-in-fact
July 30, 1998

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5.1	-- Opinion of Vinson & Elkins L.L.P., counsel for Continental Airlines, Inc., Calair L.L.C. and Calair Capital Corporation relating to the 8 1/8% Senior Notes due 2008.
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99.2	-- Form of Notice of Guaranteed Delivery.
99.3	-- Form of Letter to Registered Holders and Depository Trust Company Participants.
99.4	-- Form of Letter to Clients.

EXHIBIT 3.1

CERTIFICATE OF FORMATION
OF CALAIR,
L.L.C.

This Certificate of Formation, dated March 30, 1998, has been duly executed and is filed pursuant to section 18-201 of the Delaware Limited Liability Company Act (the "Act") to form a limited liability company (the "Company") under the Act.

1. NAME. The name of the Company is Calair L.L.C.

2. REGISTERED OFFICE; REGISTERED AGENT. The address of the registered office required to be maintained by section 18-104 of the Act is:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801.

The name and the address of the registered agent for service of process required to be maintained by section 18-104 of the Act are:

The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801.

3. DISSOLUTION. The latest date on which the Company is to dissolve is December 31, 2050.

EXECUTED as of the date written first above.

CALFINCO INC.
Sole Member

By: /s/ JEFFREY J. MISNER

Jeffrey J. Misner
Vice President-Treasury Operations
Authorized Person

EXHIBIT 3.2

CALAIR L.L.C.

AMENDED AND RESTATED
COMPANY AGREEMENT

DATED AS OF

APRIL 17, 1998

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SECTION 11

DISSOLUTION AND WINDING UP

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Exhibits
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CALAIR L.L.C.
AMENDED AND RESTATED
COMPANY AGREEMENT

THIS AMENDED AND RESTATED COMPANY AGREEMENT ("Agreement") is dated as of April 17, 1998, by and between CALFINCO INC., a Delaware corporation ("Calfinco"), and Chase Equity Associates, L.P., a California limited partnership ("CEA").

W I T N E S S E T H:

In consideration of the premises and intending to be legally bound by this Agreement, the parties hereby agree as follows:

SECTION 1

DEFINED TERMS; RULES OF CONSTRUCTION

1.1 Definitions. As used in this Agreement, each capitalized term defined in the preamble, any Sections of this Agreement or in Exhibit A shall have the meaning ascribed to such term therein.

1.2 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding."

1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP applied consistently, except with respect to Capital Accounts and items entering into the computation of Capital Accounts, and except to the extent otherwise specified in the terms hereof.

1.4 No Presumption Against Any Party. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any particular party, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties and their counsel and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

1.5 Use of Certain Terms. Unless the context of this Agreement requires otherwise, the plural includes the singular, the singular includes the plural, and "including" has the inclusive meaning of "including, without limitation." The words "hereof," "herein," "hereby," "hereunder," and other similar terms of this Agreement refer to this Agreement as a whole and not exclusively to any particular provision of this Agreement. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

1.6 Headings and References. Section and other headings are for reference purposes only, and shall not affect the interpretation or meaning of any provision of this Agreement. Unless otherwise provided, references to Articles, Sections, Schedules, and Exhibits shall be deemed references to Articles, Sections, Schedules, and Exhibits of this Agreement. References in this Agreement and in Exhibit A to this Agreement and to any other Operative Document or any other agreement include this Agreement and the other Operative Documents and agreements as the same may be modified, amended, restated or supplemented from time to time pursuant to the provisions hereof or thereof as permitted by the Operative Documents, including any exhibits and schedules thereto. A reference to any Law shall mean that Law as it may be amended, modified or supplemented from time to time, and any successor Law. A reference to a Person includes the successors and assigns of such Person, but such reference shall not increase, decrease or otherwise modify in any way the provisions in this Agreement governing the assignment of rights and obligations under or the binding effect of any provision of this Agreement.

SECTION 2

ORGANIZATIONAL MATTERS

2.1 Formation. The Company was formed as of March 31, 1998 as a limited liability company under the Act. This Agreement amends and restates the terms upon which the Company is organized and upon which its business is authorized and intended to be conducted. The Company shall be treated for federal income tax purposes as a partnership, upon the terms and conditions in this Agreement.

2.2 Members. Calfinco and CEA are the initial Members of the Company. The names of and addresses for notice to the Members, as of the date hereof, are as follows:

Calfinco:
CALFINCO Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Corporate Finance
Telecopy No.: 713-834-2448

with a copy to the attention of Managing
Attorney-Finance at the above address, Suite 1466;
telecopy no: 713-834-5161

CEA:
Chase Equity Associates L.P.
c/o Chase Capital Partners
380 Madison Avenue, 12th Floor
New York, New York 10017-2591
Attn: Brian J. Richmand
Telecopy No.: 212-622-3101

with a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Brian S. Rosen, Esq.
Telecopy No.: 212-310-8007

2.3 Name. The name of the Company shall be Calair L.L.C. All business of the Company shall be conducted in such name.

2.4 Powers. The Company shall possess and may exercise all of the powers and privileges granted by the Act or by any other Law or by this Agreement, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the permitted business purposes or activities of the Company.

2.5 Purpose. (a) Limited Purpose. The purposes of the Company are to (i) acquire the Slots, (ii) lease and/or sell the Slots, (iii) manage, protect and conserve the Company Property, (iv) enter into the Operative Documents, (v) own all of the issued and outstanding capital stock of Calair Capital Corporation, a Delaware corporation, (vi) engage in activities related or incidental to, and necessary or appropriate for, any of the foregoing, as permitted by this Agreement, and (vii) engage in such additional business activities as are permitted under this Agreement or otherwise as the Members may unanimously agree in writing.

(b) Prohibited Acts. Notwithstanding any other provision of this Agreement or any provision of Law that otherwise so empowers the Company, except as provided in Sections 4.3(j), 4.4 and 11.1, the Company shall not (i) dissolve or liquidate, in whole or in part; (ii) merge or consolidate with any other enterprise; (iii) transfer all or substantially all of the Company Property; or (iv) amend this Agreement or any Operative Document to alter in any manner, or to delete, this Section 2.5.

2.6 Principal Place of Business. The initial principal place of business of the Company shall be c/o Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Corporate Secretary. The Managing Member may not change the principal place of business of the Company to any other place without the prior written consent of CEA, such consent not to be unreasonably withheld; provided, however, that, in any event, such location shall be within the United States and such location shall be within a state that permits the qualification as a foreign limited liability company of a limited liability company organized under the Laws of the State of Delaware, and the Company duly qualifies to do business under the applicable Laws of such state. The registered office of the Company in the State of Delaware is located at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

2.7 Term. The term of the Company shall commence on the date its certificate of formation described in Section 18-201 of the Act is filed with the Secretary of State of the State of

Delaware in accordance with the Act and shall continue until the winding up and liquidation of the Company and its business is completed following a Termination Event, as provided in Section 11.2

2.8 Fiscal Year. The fiscal year of the Company for financial statement and federal income tax purposes shall be the same and shall end on December 31 of each year, except as may be required by the Code.

2.9 Certificate of Formation. The Managing Member is hereby designated as an "Authorized Person," within the meaning of the Act, to execute, deliver and file any amendments, restatements, corrections or cancellation of the Company's certificate of formation, all in accordance with the provisions of this Agreement.

2.10 Agent for Service of Process. The registered agent for service of process on the Company in the State of Delaware shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 or any successor as appointed by the Managing Member in accordance with the Act.

2.11 Cancellation Certificates. Upon the happening of any event specified in Section 18-203 of the Act with respect to the Company, the Managing Member (or, if any Company Liquidator has been appointed, such Company Liquidator) shall promptly execute and cause to be filed certificates of cancellation in accordance with the Act and the Laws of any other states or other jurisdictions in which the Managing Member or such Company Liquidator, as the case may be, deems such filing necessary or advisable.

2.12 Compensation and Expenses. Except as otherwise expressly provided in this Agreement, and except as otherwise contemplated by the Operative Documents, no Member or Affiliate of any Member shall receive any salary, fee, or draw for services rendered to or on behalf of the Company or otherwise in its capacity as a Member, nor shall any Member or Affiliate of any Member be reimbursed by the Company for any expenses incurred by such Member or Affiliate on behalf of the Company or otherwise in its capacity as a Member.

2.13 Independent Activities; Transactions with Affiliates.

(a) Managing Member's Activities. The Managing Member and any of its officers and directors (each a "Managing Entity") shall be required to devote only such time to the affairs of the Company as the Managing Member determines in its reasonable discretion may be necessary to manage and operate the Company, and each Managing Entity shall be free to serve any other Person in any capacity that such Managing Entity may deem appropriate in its discretion.

(b) Other Activities. Each Member acknowledges that each other Member and the Affiliates of the other Members are free to engage or invest in an unlimited number of activities or businesses, any one or more of which may be related to the activities or businesses of the Company, without having or incurring any obligation to offer any interest in such activities or businesses to the Company or any Member, and neither this Agreement nor any activity undertaken pursuant to this Agreement shall prevent any such Affiliate of any such Member from engaging in such activities, or require any Member to permit the Company or any such Affiliate of any such Member to

participate in any such activities, and as a material part of the consideration for the execution of this Agreement by each Member, each Member hereby waives, relinquishes, and renounces any such right or claim of participation. No Member shall have or owe any fiduciary duty to any other Member, by virtue of its Member Interest in the Company, or otherwise; provided, however, that each Member agrees to act with good faith in performing its obligations under this Agreement.

2.14 Liability to Third Parties. The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company; and no Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member of the Company.

SECTION 3

MEMBERS

3.1 Rights of Members. Members shall have the rights and obligations provided in this Agreement and, to the extent consistent with this Agreement, the Act.

3.2 Member Interests. The Members shall have the following rights under this Agreement (in addition to the other rights granted hereunder):

(a) the right to receive Distributions and to share in the Profits and Losses of the Company, in accordance with their Sharing Ratios, all to the extent provided in this Agreement;

(b) the right to receive liquidating Distributions to the extent provided in Section 11;

(c) the right to vote upon, approve or consent to actions of the Company and to participate in the management of the Company, all to the extent provided in this Agreement; and

(d) the right to appoint the Company Liquidator as provided in Section 11.6.

3.3 Management Rights of CEA. Except as expressly provided herein, CEA shall have no right, power or authority to take part in the management or control of the Company or its business and affairs or to act for or bind the Company in any way.

3.4 Voting Rights. Except as provided in Section 18-213 of the Act, the Members shall have the right to vote only on those matters specifically reserved for their vote that are set forth in this Agreement.

3.5 Meetings of the Members. (a) Notice. Meetings of the Members shall be called upon the written request of any Member. The request shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Members not less than five (5) Business Days nor more than thirty (30) days prior to the date of such meeting. Members may vote in person, by proxy or by telephone at such meeting.

(b) Record Date. For the purpose of determining the Members entitled to vote on, or to vote at, any meeting of the Members or any adjournment thereof, the Member requesting such meeting may fix, in advance, a date as the record date for any such determination. Such date shall not be more than thirty (30) days nor less than seven (7) Business Days before any such meeting.

(c) Proxy. Any Member may authorize any Person or Persons to act for it by proxy on all matters in which such Member is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by such Member or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy given by a Member shall be revocable at the pleasure of the Member executing it unless otherwise expressly stated in such proxy.

(d) Consents. The approval or consent of any Member required under this Agreement may, except as expressly provided to the contrary in this Agreement, be given or withheld in the sole and absolute discretion of such Member.

(e) Conduct of Meeting. Except as expressly provided herein, each meeting of Members shall be conducted by the Managing Member or such other Person as the Managing Member may appoint pursuant to such rules for the conduct of the meeting as the Managing Member or such other Person deems appropriate.

(f) Consent in Lieu of Meeting. In the event the consent of any Member is required for any action to be taken by the Company, such consent may be given at a meeting, which may be conducted by conference telephone call, or provided in writing, executed by the Member necessary to authorize such action at a meeting.

(g) No Meeting Required for Certain Actions. Any action, consent or approval that by the terms of this Agreement may be taken by any Member acting alone may be taken without the necessity of calling or holding a meeting of Members.

3.6 Partition. To the fullest extent permitted under applicable Law, each Member waives any and all rights that it may have to maintain an action for partition of any Company Property.

3.7 Covenant Not to Dissolve. Except as otherwise permitted by this Agreement, to the fullest extent permitted under applicable Law, each Member hereby covenants and agrees not to (a) take any action to file a certificate of dissolution or its equivalent with respect to itself, (b) exercise any power under the Act to dissolve the Company or (c) petition for judicial dissolution of the Company.

3.8 Termination of Status as Member. (a) Certain Events. A Person shall cease to be a Member only upon the first to occur of:

(i) The Transfer of all of its Member Interest, provided that the transferee of such Member Interest is admitted as a substituted Member in accordance with this Agreement.

(ii) The involuntary Transfer by operation of Law of its Member Interest (which shall not relieve the transferor from any liability under this Agreement, including liabilities for an unpermitted resignation).

The happening of the foregoing events shall not cause a dissolution of the Company except as provided in Section 11. Except to the extent specifically set forth herein, upon the termination of a Person's status as a Member, such Person shall not be entitled to any Distributions from the Company, including any Distribution based on the fair value of such Person's Member Interest. A Member shall not cease to be a Member solely as a result of the happening of any of the events specified in 18-304(a) of the Act.

(b) Resignation. No Member may resign from the Company except (i) upon cancellation of the certificate of formation as provided in Section 18-203 of the Act or (ii) incident to a Permitted Transfer pursuant to which the Transferee is admitted as a Member.

(c) Continuing Obligations. Any debts, obligations, or liabilities in damages to the Company of any Person who ceases to be a Member shall be collectible by any legal means and the Company is authorized, in addition to any other remedies at Law or in equity, to apply any amounts otherwise distributable or payable by the Company to such Person to satisfy such debts, obligations, or liabilities.

(d) Transferee. Except as otherwise provided in this Agreement, in the event a Person ceases to be a Member without having Transferred all of its Member Interest in accordance with this Agreement (including upon removal or resignation), such Person shall be treated as an unadmitted transferee of an interest as a result of a Transfer (other than a Permitted Transfer) of a Member Interest pursuant to Section 9.5.

SECTION 4

MANAGEMENT

4.1 Management of the Company. (a) Managing Member. The management of the Company shall be vested in the Managing Member and except as otherwise provided in this Agreement in Sections 2.5, 4.3, 4.4, 4.5 and 11, the Managing Member shall have full power and authority to manage the business and affairs of the Company to the extent provided in the Act, and no other Member shall have any such management power and authority.

(b) Initial Managing Member. Calfinco shall be the initial Managing Member. CEA shall have the right to replace Calfinco as the Managing Member (i) if Calfinco Transfers its Member Interest to a Person that is not an Affiliate of Calfinco, or (ii) as provided in Section 4.4.

(c) Authority of the Managing Member. The Managing Member shall have the authority on behalf and in the name of the Company to perform all acts necessary and desirable to the objects and purposes of the Company, subject only to the restrictions expressly set forth in this Agreement (including Sections 4.3 and 4.4) and subject to the rights of the Company Liquidator to liquidate the

Company and take all actions incidental thereto during the Liquidation Period. Subject to such restrictions, the authority of the Managing Member shall include the authority to:

(i) engage in transactions and dealings on behalf of the Company, including transactions and dealings with any Member or any Affiliate of any Member;

(ii) call meetings of Members or any class or series thereof;

(iii) make Distributions on account of Member Interests in accordance with the provisions of this Agreement and the Act, provided, that all such Distributions shall be in cash unless otherwise consented to by all Members;

(iv) appoint (and dismiss from appointment) officers, attorneys and agents on behalf of the Company, and engage (and dismiss from engagement) any and all persons providing legal, accounting or financial services to the Company, or such other Persons as the Managing Member deems necessary or desirable for the management and operation of the Company;

(v) incur and pay all expenses and obligations incident to the operation and management of the Company;

(vi) subject to the provisions of Section 11, effect a dissolution of the Company after the occurrence of a Termination Event and, to the extent provided in Section 11, act as Company Liquidator for the purpose of winding up the Company's affairs, all in accordance with the provisions of this Agreement and the Act;

(vii) bring and defend (or settle) on behalf of the Company actions and proceedings at law or equity before any court or governmental, administrative or other regulatory agency, body or commission or any arbitrator or otherwise;

(viii) prepare or cause to be prepared reports, statements and other relevant information for distribution to Members as may be required by this Agreement or the Act and any additional information determined to be appropriate by the Managing Member from time to time;

(ix) execute, deliver and perform the Company's obligations under any Operative Documents to which the Company is a party, including any certificates and other documents and instruments related thereto;

(x) prepare and file all necessary returns and statements and pay all taxes, assessments and other impositions applicable to the Company Property pursuant to Section 8.2; and

(xi) execute all other documents or instruments, perform all duties and powers and do all things for and on behalf of the Company in all matters necessary or desirable for or incidental to the foregoing.

4.2 Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Managing Member set forth in this Agreement.

4.3 Restrictions on Authority. Except as provided in Section 11, the Managing Member shall not be authorized to take any of the actions set forth in this Section 4.3 without the prior written approval of the other Member. The Managing Member covenants and agrees that it shall not, without such approval:

(a) Contravention. Do any act in contravention of this Agreement or, when acting on behalf of the Company, engage in activities other than those contemplated by Section 2.5(a);

(b) Impossibility. Do any act that would make it impossible to carry on the ordinary business of the Company, except as otherwise expressly provided in this Agreement;

(c) Litigation, Etc. Confess a judgment against the Company or settle on behalf of the Company actions and proceedings at law or in equity before any court, any governmental, administrative or other regulatory agency, body or commission or any arbitrator or otherwise (i) to which the Members or any of their Affiliates is a party in opposition to the Company or (ii) as a result of which it is reasonably likely that the rights, assets or interests of the Company or its Members as such would be materially adversely affected;

(d) Possession of Company Property. Possess Company Property or assign rights in Company Property, for other than a Company purpose;

(e) Liability. Perform any act that would cause, or knowingly fail to perform any act which failure would cause, any Member to be obligated personally for any debt, obligation, tax or liability of the Company in any jurisdiction solely by reason of such Member being a Member of the Company;

(f) Bankruptcy, Insolvency. Cause or permit the Company voluntarily to take any action of the type referred to in clauses (i)(c) or (ii) of the definition of "Voluntary Bankruptcy," or clause (iii) of the definition of "Voluntary Bankruptcy," insofar as such clause (iii) refers to clauses (i)(c) or (ii) of such definition;

(g) Indebtedness. Cause or permit the Company to incur, assume or obligate itself for any Indebtedness, except that the Company may enter into and incur obligations under the Operative Documents (and any refinancings of the Credit Documents as described in Section 4.3(r)) and accounts payable associated with Company Expenses incurred in the ordinary course of business;

(h) Extraordinary Transactions. Make any material change to the Slots other than (i) like-kind exchanges of one or more of the Slots pursuant to Section 13 of the Slot Lease, and (ii) sales pursuant to Section 13 of the Slot Lease to or at the direction of Calfinco, or its Affiliates, of Slots whose aggregate sales price, when combined with the aggregate sales price, of all Slots previously sold to or at the direction of Calfinco, or its Affiliates, do not exceed $50,000,000; provided, that any sale of Slots permitted by this clause (h) shall be at a price not less than the fair market value of the Slots at the time of sale, as set forth in an appraisal prepared by an appraiser

reasonably acceptable to all Members, dated within thirty (30) days of the sale of such Slots; and provided, further, that any such sale or exchange must be to a Person that is not an Affiliate of Calfinco and must be otherwise in accordance with the provisions of Section 13 of the Slot Lease, unless concurrently with such sale to Calfinco or an Affiliate of Calfinco all of CEA's remaining Member Interest is being redeemed;

(i) Liens. Cause or permit the Company to incur or suffer to exist any Liens on any of its assets, except for Permitted Liens;

(j) Dissolution. Cause or permit the Company voluntarily to take any of the actions described in Section 2.5(b);

(k) Merger. Cause or permit the Company to merge or consolidate with or into any other Person;

(l) Tax and Accounting Matters. Except as may be required by Law, cause or permit changes in any tax position or policy of the Company, or cause or permit changes in or adoption of any accounting position, practice or policy (including a change in its fiscal year) of the Company not in accordance with GAAP;

(m) Admission of Members. Cause or permit the admission of any Member to the Company other than pursuant to Section 9;

(n) Operative Documents. Cause or consent to (i) any termination or cancellation of, (ii) any assignment, delegation or other transfer of the Company's or any other Person's rights or obligations under, or (iii) any amendment, modification, supplement or waiver of the Company's or any other Person's rights or obligations under, this Agreement or any other Operative Document to which the Company is a party;

(o) Affiliate Transactions. Cause or permit the Company to enter into any contracts (including any indemnification agreements) or transactions with any Member or any Affiliate of any Member, other than as expressly provided for or contemplated by this Agreement (including Sections 4.3(r) and 4.8) or by any other Operative Document;

(p) Renewal of Slot Lease. Cause or permit the renewal of the Slot Lease upon the expiration of the original term thereof;

(q) Exercise of Slot Lease Remedies. Exercise any remedy under Section 11 of the Slot Lease Agreement other than pursuant to Sections 11(a)(ii) and (b) of the Slot Lease;

(r) Prepayment or Refinancing of Indebtedness. Cause or permit the Company to prepay any of the Company's Indebtedness; provided, that the Managing Member shall have the right, without the approval of the other Member, to refinance the Company's Indebtedness with any Person, including, at any time after the third (3rd) anniversary of the Closing Date, with any Member or an Affiliate of a Member, upon terms no less favorable to the Company and the Members than the terms

of such refinanced Indebtedness; provided further, that if the Company's Indebtedness has been refinanced with a Member or an Affiliate of a Member, the terms of such refinancing shall include a requirement that, upon a default thereunder, the holders of such Indebtedness shall not take any action to enforce any remedies with respect to such default for one hundred eighty (180) days after written notice to all Members of such default;

(s) Distributions. Cause or permit Distributions to the Members, except as expressly provided in this Agreement; or

(t) Reimbursement. Cause or permit the Company to reimburse any Member for any liability, loss, cost or Expense other than as expressly provided for in or contemplated by this Agreement or any other Operative Document.

4.4 CEA's Rights upon Certain Extraordinary Events. (a) Upon the occurrence of any of the following (each, a "Trigger Event"):

(i) Calfinco, as the Managing Member, shall have engaged in willful misconduct in managing or otherwise conducting the business and affairs of the Company; or

(ii) the occurrence of any of the events described in clauses (iii) through (xi) of the definition of Termination Event;

CEA shall have the right to notify Calfinco of the occurrence of a Trigger Event (a "Trigger Event Notice"), and if (x) such Trigger Event is not cured or otherwise resolved to CEA's satisfaction within five (5) Business Days after delivery of the Trigger Event Notice, and (y) the Company does not exercise its redemption option provided in paragraph 3 of the Redemption Option Agreement, and consummate such redemption in accordance with the provisions of the Redemption Option Agreement, CEA shall have the right to remove Calfinco as the Managing Member and to be substituted for Calfinco as the Managing Member. CEA may rescind any Trigger Event Notice by delivery of a rescission notice to Calfinco prior to the fifth (5th) Business Day after delivery of the Trigger Event Notice to Calfinco.

(b) Upon the occurrence of any Termination Event (other than those Termination Events listed in clauses (i) and (ii) of the definition of Termination Events) at any time, CEA shall have the right (i) to cause the Company to terminate the Slot Lease, (ii) to act as the Company Liquidator or appoint an experienced third party, institutional liquidator to act as the Company Liquidator, and (iii) to cause a liquidation of the Company in accordance with Section 11.

4.5 Separate Identity and Operations. The Managing Member shall cause the Company to conduct its business and operations separate and apart from that of any Member or any Affiliates of any Member, including (i) segregating Company Property and not allowing funds or other assets of the Company to be commingled with the funds or other assets of, held by, or registered in the name of, any Member or any Affiliates of any Member, (ii) maintaining books and financial records of the Company separate from the books and financial records of any Member or any Affiliates of any Member, and observing all Company procedures and formalities, including maintaining minutes or records of meetings of the Company and acting on behalf of the Company only pursuant to due

authorization of the Members (including any authorization as is given in this Agreement), (iii) causing the Company to pay its liabilities from assets of the Company and (iv) causing the Company to conduct its dealings with third parties in its own name and as a separate and independent entity.

4.6 Compliance with Agreement. The Managing Member shall cause the Company to comply with all of the obligations of the Company set forth in this Agreement and the other Operative Documents to which it is a party.

4.7 No Employees. The Managing Member shall not permit the Company to have any employees.

4.8 Affiliate Transactions. Except as otherwise provided in this Agreement, the Managing Member, when acting on behalf of the Company, is hereby authorized to deal with any Member, acting on its own behalf, or any Affiliate of any Member, provided that any such transaction, other than any transaction otherwise permitted or contemplated by the Operative Documents, shall be made on terms and conditions that, taken as a whole, are no less favorable to the Company than if the transaction had been made with an independent third party and shall be in the ordinary course of the Company's business. The Members agree that the Operative Documents (and the transactions contemplated thereby) shall satisfy this third party standard and the Members hereby authorize the Managing Member to cause the Company to enter into the Operative Documents to which the Company is a party (and to consummate the transactions contemplated thereby).

4.9 Compliance with Laws. The Managing Member shall cause the Company to comply with all applicable Laws except for such non-compliance as is attributable solely to any action taken or omitted to be taken by the other Member.

SECTION 5

COMPANY CAPITAL

5.1 Capital Accounts. A Capital Account shall be established for each Member on the books of the Company. Upon the making of the initial Capital Contributions pursuant to Section 5.2, the initial Capital Account of Calfinco shall be $31,666,667, the initial Capital Account of CEA shall be $10,000,000 in each case reflecting the initial Capital Contribution of each such Member to the Company. The Capital Account of any such Member shall be maintained in accordance with the following provisions:

(i) To each Member's Capital Account there shall be credited such Member's Capital Contributions made pursuant to Sections 5.2 or 5.4, as the case may be, such Member's distributive share of Profits, any items in the nature of income or gain that are specially allocated to such Member pursuant to this Agreement, and the amount of any Company liabilities paid, discharged or assumed (pursuant to an enforceable instrument of

assumption and release) by such Member or any Affiliate of such Member or that are secured at the time of distribution by the Company Property distributed to such Member.

(ii) To each Member's Capital Account there shall be debited the amount of cash and the fair market value of any Company Property distributed to such Member pursuant to Sections 7 or 11, such Member's distributive share of Losses and any items in the nature of expenses or losses that are specially allocated to such Member pursuant to Section 6 and the amount of the liabilities of such Member assumed by the Company or that are secured by any property contributed by such Member to the Company.

(iii) In the event all or any portion of any Member Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the Transferred Member Interest.

(iv) In determining the amount of any liability for purposes of clauses (i) and (ii) of this Section 5.1, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The Managing Member shall maintain the Members' Capital Accounts in accordance with the terms and provisions of this Agreement. However, in the event any Member disputes in an appropriate judicial proceeding the determination of its Capital Account, an independent de novo determination of the Members' Capital Accounts shall be made .

5.2 Closing Date Contribution. On the Closing Date, Calfinco shall make a Capital Contribution to the Company in cash in the amount of $31,666,667 and CEA shall make a Capital Contribution to the Company in cash in the amount of $10,000,000, subject to the satisfaction (or waiver in writing by each Member) of the following terms and conditions:

(a) Execution and delivery of the Operative Documents.

(b) No Termination Event or event which, with the giving of notice or passage of time (or both), would constitute a Termination Event shall have occurred and be continuing before or after giving effect to any such Capital Contribution.

(c) Opinions of Vinson & Elkins and other parties acceptable to Calfinco and CEA shall have been delivered to the Company and the Members. Such opinions shall be addressed to the Company and the Members.

5.3 Additional Contributions. Except as provided in Section 5.2 and as provided by Section 18-607 of the Act, no Member shall have any obligation of any kind to make Capital Contributions to or assume or pay liabilities of the Company. No additional Capital Contribution, in and of itself, including any Capital Contribution pursuant to Section 5.4, shall increase the contributing Member's Sharing Ratio or otherwise effect such Member's Member Interest, except for such Member's right to receive repayment of any additional Capital Contribution referred to in clause (i) of Section 5.4 and in accordance with the provisions of Section 7.2.

5.4 Voluntary Capital Contributions by Calfinco. In addition to Capital Contributions described in or required by Section 5.2, Calfinco may make additional Capital Contributions (i) to fund any exercise of the Company's redemption options under the Redemption Option Agreement, or (ii) to pay any make whole premium, expenses, or other amounts in excess of the outstanding principal balance of any Indebtedness of the Company that is incurred in prepaying or refinancing such Indebtedness.

5.5 No Withdrawal of Capital. Except as otherwise provided in this Agreement, no Member shall demand or receive a return of its Capital Contributions. Under circumstances requiring a return of any Capital Contributions, no Member shall have the right to receive property other than cash except as may be specifically provided in this Agreement.

5.6 No Interest on Capital. No Member shall receive any interest or draw with respect to its Capital Contributions or its Capital Account, except as otherwise provided in this Agreement.

5.7 Company Assets. After giving effect to the transactions on the Closing Date, the Company Property shall consist of the assets listed on Schedule 5.7.

SECTION 6

ALLOCATIONS

6.1 Profits and Losses. (a) After giving effect to the special allocations set forth in Sections 6.2 and 6.4 and subject, in the case of Losses, to the limitation set forth in Section 6.1(b) Profits and Losses for any Fiscal Year shall be allocated to the Members in accordance with their respective Sharing Ratios.

(b) The Losses and items of deduction or loss allocated pursuant to Sections 6.1(a) and 6.2 shall not exceed the maximum amount of Losses and items of deduction and loss that can be so allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. All Losses and items of deduction or loss in excess of the limitations set forth in this Section 6.1(b) shall be allocated, first, to the Members to whom amounts of Losses and items of deduction or loss can be allocated without causing such Members to have an Adjusted Capital Account Deficit at the end of the Fiscal Year, ratably in proportion to the amounts that can be so allocated, and the balance, if any, to Calfinco.

6.2 Special Allocations. The following special allocations shall be made in the following order to the extent items of income, gain, loss or deduction are available:

(a) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any Fiscal Year that is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation

pursuant to this Section 6.2(a) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 6 have been made as if this Section 6.2(a) and Section 6.2(b) were not in the Agreement.

(b) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 6.2(b) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 6 have been tentatively made as if this Section 6.2(b) were not in the Agreement.

(c) Minimum Gain Chargeback. Notwithstanding any other provision hereof to the contrary, if there is a net decrease in Minimum Gain for a taxable year (or if there was a net decrease in Minimum Gain for a prior taxable year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Section 6.2(c)), items of income and gain shall be allocated to each Member in an amount equal to such Member's share of the net decrease in such Minimum Gain (as determined pursuant to Section 1.704-2(g)(2) of the Regulations). This Section 6.2(c) is intended to constitute a minimum gain chargeback under Section 1.704-2(f) of the Regulations and shall be interpreted consistently therewith.

(d) Member Nonrecourse Deductions. Member Nonrecourse Deductions attributable to Member Nonrecourse Debt shall be allocated to the Members bearing the economic risk of loss for such Member Nonrecourse Debt as determined under Section 1.704-2(b)(4) of the Regulations. If more than one Member bears the economic risk of loss for such Member Nonrecourse Debt, the Member Nonrecourse Deductions attributable to such Member Nonrecourse Debt shall be allocated among the Members according to the ratio in which they bear the economic risk of loss. This Section 6.2(d) is intended to comply with the provisions of Section 1.704-2(i) of the Regulations and shall be interpreted consistently therewith.

(e) Member Nonrecourse Debt Minimum Gain Chargeback. Notwithstanding any provision hereof to the contrary except Section 6.2(c) (dealing with Minimum Gain), if there is a net decrease in Member Nonrecourse Debt Minimum Gain for a taxable year (or if there was a net decrease in Member Nonrecourse Debt Minimum Gain for a prior taxable year and the Company did not have sufficient amounts of income and gain during prior years to allocate among the Members under this Section 6.2(e), items of income and gain shall be allocated to each Member in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain (as determined pursuant to Section 1.704-2(i)(4) of the Regulations). This Section 6.2(e) is intended to constitute a partner nonrecourse debt minimum gain chargeback under Section 1.704-2(i)(4) of the Regulations and shall be interpreted consistently therewith.

(f) Expense Allocation. Any deduction attributable to the payment of the amounts described in Section 12.7 shall, without duplication, be allocated 100% to Calfinco. Any deduction

attributable to the payment of other Company Expenses shall, without duplication, be allocated in accordance with the Member's Sharing Ratios.

6.3 Curative Allocations. The allocations set forth in Sections 6.1(b), 6.2(a) and 6.2(b) (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss or deduction pursuant to this Section 6.3. Therefore, notwithstanding any other provision of this Section 6 (other than the Regulatory Allocations), the Managing Member shall make such offsetting special allocations of Company income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to this Section 6 without regard to the Regulatory Allocations.

6.4 Other Allocation Rules. (a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by Calfinco using any permissible method under Code Section 706 and the Regulations thereunder.

(b) The Members hereby agree to be bound by the provisions of this Section 6 in reporting their shares of Company income, and loss for income tax purposes, except as may otherwise be required by Law.

6.5 Tax Allocations: Code Section 704(c). (a) Except as otherwise provided in this Section 6.5, each item of income, gain, loss, deduction and credit determined for federal income tax purposes shall be allocated among the Members in the same manner as each correlative item of income, gain, loss, deduction and credit is allocated to the Members for purposes of maintaining their respective Capital Accounts.

(b) Income, gain, loss, and deduction with respect to property contributed to the Company by a Member or revalued pursuant to Section 1.704-1(b)(2)(iv)(f) of the Regulations shall be allocated among the Members in a manner that takes into account the variation between the adjusted tax basis of such property and its book value, as required by Section 704(c) of the Code and Section 1.704-1(b)(4)(i) of the Regulations, using the remedial allocation method permitted by Section 1.704-3T(d) of the Regulations or, if agreed to by all Members, the traditional method with curative allocations permitted by Section 1.704-3(c) of the Regulations.

(c) Any elections or other decisions relating to such allocations shall be made by Calfinco in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 6.5 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or Distributions pursuant to any provision of this Agreement.

(d) Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction and any other allocations not otherwise provided for, shall be divided among the Members in the same proportions as they share Profits or Losses, or amounts specially allocated pursuant to Sections 6.2 or 6.3, as the case may be, for the Fiscal Year.

SECTION 7

DISTRIBUTIONS AND REDEMPTIONS

7.1 Proceeds from the Sale of Slots. (a) Except as provided in Section 11, the Managing Member shall cause the Company to Distribute, retain, invest, and lend the proceeds from the sale of any Slots, including any cash proceeds received in any like-kind exchange described in Section 13(b)(5) of the Slot Lease, as follows: (i) first the Company shall Distribute to each Member an amount sufficient to pay such Member's Taxes in respect of such sale; (ii) second, (A) if such proceeds are received prior to the fifth (5th) anniversary of the Closing Date, the Company shall retain the amount by which $12,392,200 exceeds all amounts then being held by the Company (the "Retained Proceeds") in respect of the purchase prices the Company would be obligated to pay if it exercised the redemption options under Paragraphs 1 and 2 of the Redemption Option Agreement, (B) if such proceeds are received after the fifth (5th) anniversary of the Closing Date, and if the Company has exercised and consummated the redemption option under Paragraph 1 of the Redemption Option Agreement, the Company shall retain the amount by which $6,834,200 exceeds the Retained Proceeds, and (C) if such proceeds are received after the fifth (5th) anniversary of the Closing Date, and if the Company has not exercised and consummated the redemption option under Paragraph 1 of the Redemption Option Agreement, the Company shall retain the amount by which $13,668,400 exceeds the Retained Proceeds, and such retained amount shall be invested in Cash Equivalents, and used by the Company to pay the purchase price for CEA's Member Interest, if the Company chooses to exercise its redemption option(s) pursuant to the Redemption Option Agreement; and (iii) the balance, if any, shall be held by the Company, invested in Cash Equivalents, and at the discretion of the Managing Member, be lent to any Member or an Affiliate of a Member solely in accordance with the provisions of Section 7.1(b).

(b) Any Indebtedness of a Member or an Affiliate of a Member shall be evidenced by a promissory note or other evidence of the Indebtedness providing that (i) the interest rate payable in respect thereof shall be the blended rate earned by the Company on all Cash Equivalents held pursuant to Section 7.1(a)(ii), plus 225 basis points, such interest rate to change as and when the blended rate on such cash equivalents changes and (ii) the Indebtedness shall be due and payable upon the occurrence of a Termination Event or, if the senior, unsecured, long-term debt rating of the borrowing Member, or the borrowing Affiliate of the Member, as the case may be, is lower than BB by S&P, or lower than Ba2 by Moody's Investors Service, Inc.

(c) Any portion of the proceeds from the sale of Slots that is Distributed to CEA shall be credited to the amount payable to CEA upon the redemption, if any, of CEA's Member Interest pursuant to the Redemption Option Agreement.

7.2 Other Cash. On each Payment Date, the Managing Member shall cause the Company to Distribute to the Members all cash on hand of the Company (other than any proceeds from the sale of any Slots) that will not be required to pay amounts due or to become due (i) under the Credit Documents on such Payment Date, (ii) in respect of the Company's redemption of CEA's Member Interest under the Redemption Option Agreement, or (iii) in respect of Company Expenses; provided, however, that not more than (a) $3,575,000 may be held by the Company in respect of the redemption, if any, to be made by the Company on the fifth anniversary of the Closing Date, and (b) $3,575,000 may be held by the Company in respect of the redemption, if any, to be made by the Company on the Tenth Anniversary. Except as provided in Section 11, all cash available for Distribution, other than the cash described in Section 7.1, shall be distributed first, in repayment of any additional Capital Contributions made pursuant to Section 5.4(i), and second, to each of the Members in accordance with their Sharing Ratios on each Payment Date, after giving effect to any redemption of any portion of CEA's Member Interest on such Payment Date. If the Company has redeemed a portion of CEA's Member Interest pursuant to the Redemption Option Agreement following the immediately preceding Distribution of available cash pursuant to this Section 7.2, the Distribution following such redemption shall be paid to each Member based upon such Member's average Sharing Ratio for the period since the immediately preceding Distribution.

SECTION 8

ACCOUNTING; BOOKS AND RECORDS; REPORTS

8.1 Accounting; Books and Records. (a) Maintenance. The Company shall maintain at its principal place of business or, upon notice to the Members, at such other place within the United States as the Managing Member shall determine, separate books of account for the Company, which shall include a record of all costs and expenses incurred, all charges made, all credits made and received, and all income derived in connection with the conduct of the Company and the operation of its business in accordance with this Agreement.

(b) Accounting Methods. The Company shall use the accrual method of accounting in preparation of its annual reports and for tax purposes and shall keep its books and records accordingly.

(c) Access to Books, Records, Etc. Any Member or any agents or representatives of such Member, at the Company's expense, may visit and inspect any of the properties of the Company and examine any information it may reasonably request and make copies of and abstracts from the Company financial and operating records and books of account of the Company, and discuss the affairs, finances and accounts of the Company with the Managing Member and its officers, all at such reasonable times (i.e., during normal business hours, at reasonable intervals and upon reasonable notice). In addition, any Member may discuss the affairs, finances and accounts of the Company with the independent accountants of the Company at reasonable intervals and with the knowledge of the Managing Member where feasible. The Company hereby authorizes its independent accountants to engage in such discussions with Members. The rights granted to a Member pursuant to this Section 8.1(c) are expressly subject to compliance by such Member with the reasonable confidentiality procedures and guidelines of the Company, as such procedures and

guidelines may be established by the Managing Member in its reasonable judgment from time to time.

8.2 Tax Matters. (a) Partnership Reporting. All returns filed by the Company in respect of federal, state and local income taxes shall be filed on the basis that the Company is a partnership for federal, state and local income tax purposes unless otherwise (x) required by law, or (y) unanimously agreed by all Members. The Members shall take all steps pursuant to applicable Regulations and applicable state or local law in order to achieve partnership classification for the Company for federal, state and local income tax purposes and, in this connection, CEA will join in the making of any election requested in good faith by the Managing Member in furtherance of this objective.

(b) Tax Matters Member. The Managing Member is authorized, in the case of material elections with the consent of the other Member, not to be unreasonably withheld, to make any and all elections for federal, state, and local tax purposes. If the other Member fails to respond within a reasonable period of time, under the circumstances to a written request by the Managing Member for consent to an election sought to be made for the Company, the Managing Member may treat such failure to respond as consent to such request. The Managing Member is authorized, to the extent provided in Code Sections 6221 through 6231, to represent the Company and the Members before taxing authorities or courts of competent jurisdiction in tax matters affecting the Company or the Members in their capacities solely as Members, and to file any tax returns and execute any agreements or other documents relating to or affecting such tax matters, including agreements or other documents that bind the Members with respect to such tax matters or otherwise affect the rights of the Company and the Members. The Managing Member is specifically authorized to act as the "tax matters partner" under the Code and in any similar capacity under state or local Law. Notwithstanding the generality of the foregoing, the Tax Matters Member shall make regular and current reports to the other Member on the status of all representations of the Company and the Members before taxing authorities and courts of competent jurisdiction. Furthermore, without the prior written consent of CEA (which consent shall not be unreasonably withheld), the Tax Matters Member may not enter into any agreements or documents that would affect the amount, timing or character of any items of income, gain, loss, deduction or credit allocated to or otherwise realized by, the other Member.

(c) Tax Information. Necessary tax information shall be delivered to each Member as soon as practicable after the end of each Fiscal Year of the Company but not later than 90 days after the end of each such Fiscal Year. The Managing Member shall cause tax returns to be filed for the Company prepared, at the Company's expense, in accordance with the Code and the Regulations.

(d) Section 754 Election. If a distribution of the Company's property as described in Code Section 734 occurs or if a transfer of a Member Interest as described in Code Section 743 occurs, upon the written request of any Member, the Company shall elect, pursuant to Code Section 754, to adjust the basis of the Company's properties.

8.3 Periodic Reporting. The Company shall furnish or cause to be furnished to each Member, at the Company's expense, the following:

(a) Annual Reports. Within ninety (90) days after the end of each Fiscal Year beginning with the Fiscal Year ending December 31, 1998, the following:

(i) a Compliance Certificate executed by a senior financial or senior accounting officer of the Managing Member;

(ii) balance sheets (which shall, at the request of any Member, be audited) as of the last day of such Fiscal Year and the preceding Fiscal Year and income statements (which shall, at the request of any Member, be audited) and statements of cash flows for such periods and the notes associated with each, for the Company; and

(iii) a statement of the Member's Capital Account balances at the end of the Fiscal Year and a statement of the changes therein since the end of the prior Fiscal Year (or the Closing Date, in the case of the Fiscal Year ending December 31, 1998).

(b) Quarterly Reports. Within thirty (30) days after the close of each Fiscal Quarter (other than the final Fiscal Quarter of any Fiscal Year) and within ninety (90) days after the close of the final Fiscal Quarter of each Fiscal Year, the following:

(i) unaudited statements of cash flows of the Company for such Fiscal Quarter and the notes associated therewith;

(ii) balance sheets of the Company as of the end of such Fiscal Quarter and for the comparable quarter of the prior year, if applicable;

(iii) income statements of the Company for such Fiscal Quarter, for the year to date ending such Fiscal Quarter and for the comparable periods of the prior Fiscal Year, if applicable;

(iv) a certification by the Managing Member that the statements described in Section 8.3(b)(i) include all adjustments necessary in the opinion of the Managing Member for fair presentation of the results of such Fiscal Quarter.

(c) Other Notices. A notice of the occurrence of any Termination Event or any event which, with the giving of notice or passage of time (or both), would constitute a Termination Event and the action that the Managing Member has taken or proposes to take with respect thereto, promptly, but in any event no later than two (2) Business Days after the Managing Member has actual knowledge of such occurrence.

(d) Additional Information. Promptly following any such request, such other information as is reasonably requested by any Member.

SECTION 9

TRANSFERS OF MEMBER INTEREST

9.1 Restriction on Transfers. Except as otherwise permitted by this Agreement, no Member shall pledge or Transfer all or any portion of its Member Interest.

9.2 Permitted Transfers. (a) Calfinco. Subject to the conditions and restrictions set forth in Section 9.3, all, but not less than all of the Member Interest of Calfinco may be Transferred to any single Person or in the case of the foreclosure of any collateral security interest, to any trustee, collateral agent, or other Person acting on behalf of one or more financial institutions.

(b) CEA. Subject to Calfinco's right of first refusal set forth in Section 9.2(c) and the conditions and restrictions set forth in Section 9.3, all, but not less than all of the Member Interest of CEA may be Transferred to any single Person or in the case of the foreclosure of any collateral security interest, to any trustee, collateral agent, or other Person acting on behalf of one or more financial institutions; provided, however, that, in no event, shall CEA transfer its Member Interest to any foreign or domestic air carrier or to any Affiliate of such an air carrier. Without limiting the generality of the foregoing, any Transfer by CEA of all of its Member Interest to any Affiliate of CEA that is not a foreign or domestic air carrier or an Affiliate of such an air carrier and in compliance with Section 9.3, shall be a Permitted Transfer.

(c) Calfinco's Right of First Refusal. If CEA receives a bona fide offer to Transfer its Member Interest that CEA desires to accept (an "Offer"), CEA shall deliver to Calfinco a complete copy of the Offer, together with a letter from the chief financial officer (or equivalent) of the offeror, certifying that the offeror's net worth, determined in accordance with GAAP, is greater than $10,000,000. Calfinco shall have twenty (20) days to review the Offer and to decide whether to acquire CEA's Member Interest upon the terms of the Offer. If Calfinco decides to acquire CEA's Member Interest upon the terms of the Offer, Calfinco shall so notify CEA within such 20 day period, and Calfinco shall be obligated to acquire CEA's Member Interest upon such terms. If Calfinco notifies CEA that Calfinco has decided not to acquire the Member Interest upon the terms of the Offer, or if Calfinco fails to notify CEA of Calfinco's decision within such twenty (20) day period, Calfinco shall be deemed to have waived Calfinco's right to acquire CEA's Member Interest pursuant to the Offer, and CEA shall be free to Transfer its Member Interest to the offeror pursuant to the Offer. If CEA fails to Transfer its Member Interest to the offeror pursuant to the Offer within one hundred twenty (120) days following the expiration of such twenty (20) day period, or if the Offer is modified or extended, Calfinco's right of first refusal hereunder shall again apply to any new offer from any offeror or to the modified or extended Offer. The price for CEA's Member Interest payable pursuant to any Offer that CEA is entitled to accept pursuant to the terms of this Section 9.2(c) must be stated in terms of cash or cash and a promissory note, and if the terms of the Offer provide for all or a portion of the purchase price to be paid with a promissory note, Calfinco's promissory note shall be deemed to be equivalent to any promissory note to be provided by the offeror; provided, however, that any such promissory note shall be on the same terms and conditions as the offeror's promissory note. Notwithstanding anything in this Section 9.2(c) to the contrary, this Section 9.2(c) shall not apply to a Transfer by CEA of its Member Interest to an Affiliate of CEA.

9.3 Conditions to Permitted Transfers. A Transfer shall not be treated as a Permitted Transfer under (i) Section 9.2(a) unless and until the following conditions set forth in clauses (b) and (f) are satisfied, or (ii) Section 9.2(b), if applicable, unless and until the following conditions are satisfied:

(a) Documentation. The transferor and transferee shall execute and deliver to the Company such documents and instruments of conveyance as may be necessary or appropriate, in the reasonable opinion of counsel to the Company, to effect such Transfer and to confirm the agreement of the transferee to be bound by the provisions of this Agreement.

(b) Tax Information. The transferor and transferee shall furnish the Company with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the Transferred Member Interest, and any other information reasonably necessary to permit the Company to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the Company shall not be required to make any Distribution otherwise provided for in this Agreement with respect to any Transferred Member Interest until it has received such information.

(c) Securities Law Opinion. Such Transfer will be exempt from all applicable registration requirements, including the requirements under the Securities Act, and any applicable state securities Law, and will not violate any applicable Laws regulating the Transfer of securities, and, except in the case of a Transfer of a Member Interest to another Member or to a Wholly Owned Affiliate of the transferor or of any other Member or, unless waived by the Required Members, the transferor shall provide an opinion of counsel to such effect. Such counsel and opinion shall be reasonably satisfactory to the non-transferring Members.

(d) Investment Company Act Opinion. Such Transfer will not cause the Company to be deemed to be an "investment company" under the Investment Company Act, and the transferor shall provide an opinion of counsel to such effect. Such counsel and opinion shall be reasonably satisfactory to the non-transferring Members, and the Members shall provide to such counsel any information available to the Members, as the case may be, and relevant to such opinion.

(e) Certificates. The transferee of the Member shall execute a Transferee Certificate.

(f) Expenses. The Company shall be reimbursed by the transferor and/or transferee for all Company Expenses that it reasonably incurs in connection with such Transfer.

(g) No Withholding Tax. Neither the transferee nor any Person who owns a direct or indirect interest in the transferee and who may be treated for federal tax purposes as a partner in the Company is a nonresident alien individual, foreign partnership, foreign corporation or other foreign person with respect to whom (taking into account statutory or treaty exemptions) distributions, allocations or payments from the Company are subject to withholding tax at a rate in excess of zero percent under Sections 1441, 1442, 1446 or any other provision of the Code imposing U.S. federal tax withholding requirements upon distributions, allocations or payments by a partnership to a foreign person.

9.4 Prohibited Transfers. Except for involuntary transfers as described in Section 3.8(a)(ii), any purported Transfer of a Member Interest that is not a Permitted Transfer shall be null and void and of no effect whatsoever; provided, however, that, if the Company is required to recognize a Transfer that is not a Permitted Transfer, the transferor shall be deemed no longer to have a Member Interest and the interest received by the transferee shall be strictly limited to the transferor's rights to allocations and Distributions as provided by this Agreement with respect to the Transferred Member Interest, which allocations and Distributions may be applied (without limiting any other legal or equitable rights of the Company) to satisfy any debts, obligations, or liabilities for damages that the transferor or transferee of such Member Interest may have to the Company. In the case of a Transfer or attempted Transfer of a Member Interest that is not a Permitted Transfer, the parties engaging or attempting to engage in such Transfer shall indemnify and hold harmless the Company and the other Members from all cost, liability, and damage that any of such indemnified Persons may incur (including incremental tax liability and attorneys' fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the indemnity granted hereby.

9.5 Admission as Substituted Members. Subject to the other provisions of this Section 9, a transferee of a Member Interest may be admitted to the Company as a substituted Member only upon satisfaction of the conditions set forth below:

(i) The Member Interest with respect to which the transferee is being admitted was acquired by means of a Permitted Transfer;

(ii) The transferee becomes a party to this Agreement as a Member and executes such documents and instruments as the other Members may reasonably request as may be necessary or appropriate to confirm such transferee as a Member in the Company, including such transferee's agreement to be bound by the terms and conditions of this Agreement; and

(iii) Unless the requirements of this Section 9.5(iii) have been waived by the Members consenting to such admission, the transferee pays or reimburses the Company for all reasonable legal, filing, publication and other costs that the Company incurs in connection with the admission of the transferee as a Member with respect to the Transferred Member Interest.

9.6 Distributions with Respect to a Transferred Member Interest. If any Member Interest is Transferred in compliance with the provisions of this Section 9, all Distributions on or before the date of such Permitted Transfer shall be made to the transferor, and all Distributions thereafter shall be made to the transferee. Solely for purposes of making such Distributions, the Company shall recognize such Permitted Transfer not later than the end of the calendar month during which it is given notice of such Permitted Transfer; provided, however, that if the Company is given notice of a Permitted Transfer at least fourteen (14) days prior to the Permitted Transfer, the Company shall recognize such Permitted Transfer as of the date of such Permitted Transfer, and provided, further that if the Company does not receive a notice stating the date such Member Interest was Transferred and such other information as the Member may reasonably require within thirty (30) days after the end of the Fiscal Quarter during which the Permitted Transfer occurs, all Distributions shall be made to the Person who, according to the books and records of the Company, on the last day of the Fiscal Quarter during which the Permitted Transfer occurs, was the record owner of the Member Interest.

Neither the Company nor Calfinco shall incur any liability for making Distributions in accordance with the provisions of this Section 9.7, whether or not Calfinco or the Company has knowledge of any Transfer of ownership of any Member Interest.

SECTION 10

POWER OF ATTORNEY

10.1 Managing Member as Attorney-in-Fact. Each Member hereby makes, constitutes, and appoints the Managing Member and, effective as of the Liquidation Start Date, the Company Liquidator, severally, with full power of substitution and resubstitution, its true and lawful attorney-in-fact for it and in its name, place, and stead and for its use and benefit, to sign, execute, certify, acknowledge, swear to, file, publish and record (i) all certificates of the Company, amended name or similar certificates, and other certificates and instruments (including counterparts of this Agreement in the form identical to the original counterpart thereof manually executed by such Member (as amended, restated or modified in accordance with clause (ii) below)) that Calfinco or the Company Liquidator may deem necessary to be filed by the Company under the Laws of the State of Delaware or any other state or jurisdiction in which the Company is doing or intends to do business approved by the Members; (ii) any and all amendments, restatements or modifications to this Agreement and the instruments described in (i), as now or hereafter amended, which Calfinco or the Company Liquidator may deem necessary to effect a change or modification of the Company in the form approved by the Members in accordance with the terms of this Agreement, including amendments, restatements or modifications to reflect (A) the exercise by any Member of any power granted to it under this Agreement, (B) any amendments adopted by the Members in accordance with the terms of this Agreement, (C) the admission of any substituted Member and (D) the disposition by any Member of its Member Interest in the Company; (iii) all certificates of cancellation and other instruments that Calfinco or the Company Liquidator deems necessary or appropriate to effect the dissolution and termination of the Company pursuant to the terms of this Agreement and (iv) any other instrument that is now or may hereafter be required by law to be filed on behalf of the Company or is deemed necessary by Calfinco or the Company Liquidator to carry out fully the provisions of this Agreement in accordance with its terms; provided, however, that nothing in this Section 10 shall authorize or be deemed to authorize any such attorney-in-fact to take any action for or in the name, place or stead of any Member, or otherwise referred to in this Section 10 with respect to any Member, to the extent such action requires the consent of such Member pursuant to the terms of this Agreement and such Member has not so consented. Each Member authorizes each such attorney-in-fact to take any further action that such attorney-in-fact shall consider necessary in connection with any of the foregoing, hereby giving each such attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever requisite to be done in connection with the foregoing as fully as such Member might or could do personally, and hereby ratifying and confirming all that any such attorney-in-fact shall lawfully do or cause to be done by virtue thereof or hereof.

10.2 Nature of Special Power. The power of attorney granted pursuant to this Section 10:

(i) is a special power of attorney coupled with an interest and is irrevocable;

(ii) may be exercised by any such attorney-in-fact by listing the Members executing any agreement, certificate, instrument, or other document with the single signature of any such attorney-in-fact acting as attorney-in-fact for such Members; and

(iii) shall survive and not be affected by the subsequent Bankruptcy, insolvency, dissolution, or cessation of existence of a Member and shall survive the delivery of an assignment by a Member of the whole or a portion of its Member Interest in the Company (except that where the assignment is of all of such Member's Member Interest in the Company and the assignee is admitted as a substituted Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling any such attorney-in-fact to effect such substitution) and shall extend to such Member's or assignee's successors and assigns.

SECTION 11

DISSOLUTION AND WINDING UP

11.1 Liquidation. (a) Termination Events. The Company shall dissolve and commence winding up and liquidating upon, and only upon, the occurrence of (i) a Termination Event, and (ii) the failure of the Company either (1) to exercise and consummate its redemption option provided in paragraphs 5 or 7, as applicable, of the Redemption Option Agreement, or (2) to exercise and consummate its redemption option provided in paragraph 6 of the Redemption Option Agreement within thirty (30) days after Calfinco's receipt of a Termination Notice. The date of the Company's dissolution and commencement of winding up shall be referred to as the "Liquidation Start Date".

(b) Company Termination Notice. At any time on or after the occurrence of any Termination Event, either Member may elect to deliver to the other Member a notice (a "Termination Notice") of such event. Such Termination Notice shall be effective on the date specified in the Termination Notice as its effective date (which shall be no earlier than the fifth Business Day after delivery to the other Members), or if no date is specified, the Termination Notice shall be effective the fifth Business Day after it is delivered to the other Members, unless (x) such Termination Event has been cured on or before such effective date or otherwise resolved to all Members' satisfaction on or before such effective date, or (y) the Company has exercised and consummated its redemption option (1) provided in paragraphs 5 or 7, as applicable, of the Redemption Option Agreement, or (2) the Company has exercised and consummated its redemption option provided in paragraph 6 of the Redemption Option Agreement within thirty (30) days after Calfinco's receipt of a Termination Notice. Any such Termination Notice may be rescinded by the Member giving such notice prior to its effectiveness by delivery of a rescission notice to the other Members.

11.2 Winding Up. Upon the occurrence of the Termination Event, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members, and no Member shall take any action with

respect to the Company that is inconsistent with the winding up of the Company's business and affairs; provided, however, that all covenants contained in this Agreement and obligations provided for in this Agreement shall continue to be fully binding upon the Members until the Company Property has been distributed pursuant to this Section 11.2 and the certificate of formation has been canceled pursuant to the Act. The Company Liquidator shall be responsible for overseeing the winding up and dissolution of the Company (including taking any actions required by Section 11.7), shall take full account of the Company's liabilities and the Company Property, and shall cause the Company Property or the proceeds from the Disposition thereof, to the extent sufficient therefor, to be applied and distributed, to the maximum extent permitted by Law, in the following order:

(i) First, as provided in Section 18-804(a)(1) of the Act; and

(ii) Second, the balance, if any, to the Members in an amount equal to their Capital Account balances, after giving effect to all contributions, Distribution, and allocations made for all periods through the end of the Liquidation Period.

11.3 No Restoration of Deficit Capital Accounts. Notwithstanding anything in this Agreement to the contrary, if a Termination Event has occurred and the Company is wound up in accordance with Section 11.2, no Member shall be obligated to make any Capital Contributions to the Company in respect of a deficit balance in its Capital Account, and such deficit shall not be considered to be a debt owed to the Company or to any other Person for any purpose whatsoever.

11.4 No Constructive Liquidation. In the event the Company is liquidated within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations but no Termination Event has occurred, the Company Property shall not be liquidated, the Company's liabilities shall not be paid or discharged, the Company's affairs shall not be wound up, and no adjustments to the Members' Capital Accounts shall be made (except as otherwise specifically provided in Section 6).

11.5 Rights of Members. Each Member shall look solely to the Company Property for the return of its Capital Contribution and shall have no right or power to demand or receive property other than cash from the Company.

11.6 The Company Liquidator. (a) Definition. The "Company Liquidator" shall mean the Managing Member, or a Person appointed by the Managing Member, unless a Termination Event (other than a Termination Event listed in clauses (i) and (ii) of the definition of Termination Event) has occurred, in which case, the "Company Liquidator" shall mean CEA (regardless of whether CEA has elected to become the Managing Member) or any Person appointed as Company Liquidator by CEA. The Company Liquidator shall have the rights set forth in Section 18-803(b) of the Act and shall have the exclusive right, power and authority to effect the dissolution, winding up and liquidation of the Company. The actions of the Company Liquidator shall for all purposes be the actions of the Company.

(b) Fees. In the event that the Company Liquidator is other than the Managing Member or an Affiliate of the Managing Member, the Company is authorized to pay a reasonable fee to the

Company Liquidator for its services performed pursuant to this Section 11 and to reimburse the Company Liquidator for its reasonable costs and expenses incurred in performing those services.

(c) Resignation of Company Liquidator. At any time, any Company Liquidator may, in its discretion, resign as Company Liquidator and the Member then entitled to appoint the Company Liquidator shall appoint a replacement Company Liquidator.

11.7 Liquidation Procedures. The Company Liquidator shall commence the winding up of the Company's business and in so doing may, among other things, cause one or more of the following to occur:

(a) Termination of Lease. If the Slot Lease is then subject to termination, the Company Liquidator shall cause the Company to terminate the Slot Lease.

(b) Sale of Company Property. (i) The Company Liquidator shall commence the sale and/or liquidation of Company Property in such order as the Company Liquidator shall determine in its reasonable, good faith judgment to be best calculated to obtain the highest price for the Company Property; and (ii) the Company Liquidator may engage on behalf of the Company one or more agents to conduct sales of the Company Property.

(c) Repayment of Indebtedness. From the proceeds of the sale of the Company Property, the Company Liquidator shall repay the Indebtedness under the Credit Facility and all other Indebtedness of the Company.

(d) Liquidating Distributions. All Distributions to be made pursuant to Section 11.2 shall be made by the Company Liquidator from time to time immediately after repayment of the Indebtedness of the Company from the proceeds of the liquidation of Company Property.

11.8 Form of Liquidating Distributions. In addition to the Distributions made by the Managing Member pursuant to Section 4.1(c)(iii), the Company Liquidator shall make all liquidating distributions in cash.

SECTION 12

INDEMNIFICATION

12.1 Indemnification. Subject to the limitations set forth in Section 12.4, (a) the Company hereby agrees, to the fullest extent permitted by Law, to indemnify, hold harmless and pay, and (b) the Company Liquidator, or any receiver or trustee of the Company (each of the foregoing Persons being an "Indemnitor") (in the case of the Company Liquidator, receiver or trustee, to the extent of Company Property) shall indemnify, hold harmless and pay, all Expenses ("Indemnified Amounts") of any Member, and the direct and indirect members, partners, shareholders and other equity holders of any Member, and the successors and permitted assignees of each such Person (whether pursuant to an assignment for security or otherwise) and creditors of and surety providers with respect to, any of the foregoing, and their respective successors and assigns (whether pursuant to an assignment for security or otherwise) and each of the respective directors, officers, employees,

administrators and agents of any of the foregoing (each an "Indemnified Person"), which may be incurred or realized by or asserted against such Indemnified Person, relating to, growing out of or resulting from:

(i) Company Obligations. Any failure by the Company to perform or observe each of its covenants and obligations under this Agreement or any other Operative Document to which it is a party (collectively, the "Covered Documents"), including Indemnified Amounts resulting from or arising out of or in connection with enforcement of the Covered Documents (or determining whether or how to enforce any Covered Documents, whether through negotiations, legal proceedings or otherwise), or responding to any subpoena or other legal process or informal investigative demand in connection herewith or therewith; or

(ii) Representations and Warranties. Any inaccuracy in, or any breach of, any written certification, representation or warranty made by or on behalf of the Company in any Covered Document or in any written report or certification required hereunder or under any other Covered Document, in each case (A) if but only if such certification, representation or warranty is made as of a specific date, as of the date as of which the facts stated therein were certified, represented or warranted and (B) in all other cases, as of any date or during any period to which such certification, representation or warranty may be applicable; or

(iii) Investigations; Litigation; Proceedings. Any investigation, litigation or proceeding, whether or not such Indemnified Person is a party thereto, that (A) relates to, grows out of or results from any action or omission, or alleged action or omission, by or on behalf of or attributable to the Company and (B) would not have resulted in Indemnified Amounts incurred or realized by or asserted against such Indemnified Person but for the Covered Documents or the transactions thereunder or contemplated thereby.

12.2 Nonexclusive Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 12 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Agreement, other contract, determination of the Managing Member, or otherwise.

12.3 Insurance. The Company may maintain insurance, at its expense, to protect itself and any Member, or agent of the Company or another limited liability company, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under the Act.

12.4 Limitations on Indemnification Obligations. The indemnities provided herein shall be subject to the following limitations:

(a) Limitation by Law. Such sections shall be enforced only to the maximum extent permitted by Law.

(b) Misconduct, Etc. No Person, and no controlling Affiliate of such Person in its own right (but without prejudice to the claims of Persons who are Indemnified Persons by reason of a relationship to such controlling Affiliate (such as an agent, employee, creditor or surety of such controlling Affiliate)) shall be indemnified from any liability solely caused by or resulting from (i) the actual fraud, willful misconduct, bad faith or gross negligence of such Person or (ii) any inaccuracy in, or breach of, any written certification, representation or warranty made by such Person in any Covered Document or in any written report or certification required hereunder or under any other Covered Document unless such inaccuracy or breach is attributable to any written information provided by Calfinco or its Affiliates, in each case under this clause (ii) (A) if, but only if, such certification, representation or warranty is made as of a specific date, as of the date as of which the facts stated therein were certified, represented or warranted and (B) in all other cases, as of any date or during any period to which such certification, representation or warranty may be applicable.

(c) No Duplication. Indemnified Amounts under this Section 12 shall be without duplication of any amounts payable under indemnification provisions of any other Operative Document or any amounts actually paid thereunder.

12.5 Payments; No Reduction of Capital Account. Any amounts subject to the indemnification provisions of this Section 12 shall be paid by the applicable Indemnitor within ten (10) Business Days following demand therefor, accompanied, as may be appropriate in the context, by supporting documentation in reasonable detail. Payments to a Member pursuant to this Section 12 shall not reduce the Capital Account of such Member. To the extent the Company is required to indemnify any Person hereunder, each such Indemnified Party shall be a creditor of the Company to the extent of the Indemnified Amounts owing to such Indemnified Party hereunder from time to time. Payment shall be made to the bank account or at another location as such Indemnified Person shall designate in writing or as is expressly required under any Operative Document the obligations under which are the subject of any such payment, not later than 1:00 pm (New York time) on the date for such payment in immediately available funds.

12.6 Procedural Requirements.

(a) Notice of Claims. Any Indemnified Person that proposes to assert a right to be indemnified under this Section 12 will, promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Person, or the incurrence or realization of Indemnified Amounts, in respect of which a claim is to be made against the relevant Indemnitor under this Section 12, notify the relevant Indemnitor of such incurrence or realization or of the commencement of such action, suit or proceeding, enclosing a copy of all papers served, but the omission so to notify the relative Indemnitor promptly of any such incurrence, realization, action, suit or proceeding shall not relieve (x) any Indemnitor from any liability that it may have to such Indemnified Person under this Section 12 or otherwise, except, as to such Indemnitor's liability under this Section 12, to the extent, but only to the extent, that such Indemnitor shall have been prejudiced by such omission, or (y) any other Indemnitor from liability that it may have to any Indemnified Person under the Operative Documents.

(b) Defense of Proceedings. In case any such action, suit or proceeding shall be brought against any Indemnified Person and it shall notify the relevant Indemnitor of the commencement

thereof, such Indemnitor shall be entitled to participate in, and to assume the defense of, such action, suit or proceeding with counsel reasonably satisfactory to such Indemnified Person, and after notice from such Indemnitor to such Indemnified Person of such Indemnitor's election so to assume the defense thereof and the failure by such Indemnified Person to object to such counsel within ten (10) Business Days following its receipt of such notice. Such Indemnitor shall not be liable to such Indemnified Person for legal or other expenses incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Person reasonably necessary in connection with the defense thereof. Such Indemnified Person shall have the right to employ its counsel in any such action, suit or proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless:

(i) the employment of counsel by such Indemnified Person at the expense of such Indemnitor has been authorized in writing by such Indemnitor;

(ii) such Indemnified Person shall have concluded in its good faith (which conclusion shall be determinative unless a court determines that conclusion was not reached in good faith) that there is or may be a conflict of interest between such Indemnitor and such Indemnified Person in the conduct of the defense of such action or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Person (it being agreed that in any case referred to in this clause (ii) such Indemnitor shall not have the right to direct the defense of such action on behalf of the Indemnified Person);

(iii) such Indemnitor shall not have employed counsel to assume the defense of such action within a reasonable time after notice of the commencement thereof; or

(iv) any counsel employed by such Indemnitor shall fail to timely commence or maintain the defense of such action,

in each of which cases the fees and expenses of counsel for such Indemnified Person shall be at the expense of such Indemnitor; provided that without the prior written consent of such Indemnified Person no Indemnitor shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened claim, action, investigation, suit or other legal proceeding in respect of which indemnification may be sought under this Section 12, unless such settlement, compromise or consent includes an unconditional release of such Indemnified Person from all liability for Expenses arising out of such claim, action, investigation, suit or other legal proceeding.

(c) Settlement of Claims. No Indemnified Person shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened claim, action, investigation, suit or other legal proceeding in respect of which any payment would result hereunder or under the other Operative Documents without the prior written consent of the relevant Indemnitor, such consent not to be unreasonably withheld or delayed.

(d) Indemnification Despite Negligence of Indemnified Person. THE INDEMNITY OBLIGATIONS OF THIS SECTION 12 SHALL EXPRESSLY INCLUDE ANY INDEMNIFIED AMOUNTS

ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF ANY INDEMNIFIED PERSON, BUT SHALL EXCLUDE ANY SUCH INDEMNIFIED AMOUNTS ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PERSON. IT IS THE INTENT OF THE PARTIES HERETO THAT THE INDEMNIFIED PERSONS, SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 12, BE INDEMNIFIED FOR THEIR OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE.

12.7 Tax Indemnity. If as a result of any audit of the Company's federal, state, or local income tax returns, the Company, CEA, any of the Company's or CEA's direct or indirect members, partners, or shareholders, or the successors or permitted assignees of any of them, is determined by final order or judgment, not subject to appeal, to be liable for any interest or penalties in respect of the underpayment of any federal, state, or local income tax, Calfinco, any Affiliate of Calfinco to whom the Slots are Transferred, through one or more successive Transfers, and any successor to Calfinco, if Calfinco is dissolved, merged, or consolidated with another Person, shall pay or shall reimburse the Company, CEA, direct and indirect members, partners, shareholders and the successors and permitted assignees of each such Person, or any of them, for all such interest and penalties.

12.8 Survival of Indemnification Obligations. All indemnities provided for in this Agreement shall survive the Transfer of any Member Interest and the liquidation of the Company. After any such Transfer or liquidation, the provisions of this Section 12 shall inure to the benefit of each Transferring Member with respect to Indemnified Amounts arising in respect of the period during which such Transferring Member was a Member (including with respect to actions taken or omitted to be taken, and events occurring and circumstances existing, during such period).

SECTION 13

MISCELLANEOUS

13.1 Notices. Any notice, payment, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing or by facsimile and shall be deemed to have been delivered, given, and received for all purposes (a) if delivered personally to the Person or to an officer of the Person to whom the same is directed, or (b) when the same is actually received (if a Business Day, or, if not, on the next succeeding Business Day), if sent either by courier or delivery service or certified mail, postage and charges prepaid, or by facsimile, if such facsimile is followed by a hard copy of the facsimiled communication sent by certified mail, postage and charges prepaid, addressed as follows, or to such other address as such Person may from time to time specify by notice to the Members:

(i) If to the Company, to the address set forth in the first sentence of Section 2.6, with copies sent to the Managing Member at its address set forth in Section 2.2;

(ii) If to a Member, to the address set forth in Section 2.2; and

(iii) If to the Company Liquidator, at the address specified by such party.

13.2 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their respective permitted successors, transferees, and assigns (including any assignee for security purposes or Person holding a security interest). This Agreement and the rights and obligations hereunder may not be assigned to any Person other than a Permitted Transferee.

13.3 Severability. Except as otherwise provided in the succeeding sentence, every provision of this Agreement is intended to be severable, and, if any term or provision of this Agreement is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement. The preceding sentence of this Section shall be of no force or effect if the consequence of enforcing the remainder of this Agreement without such illegal or invalid term or provision would be to cause any Member to lose the benefit of its economic bargain.

13.4 Construction. The terms of this Agreement are intended to embody the economic relationship among the Members and shall not be subject to modification by or conform with any actions by any governmental authority except as this Agreement may be explicitly so amended.

13.5 Governing Law. The Laws of the State of Delaware shall govern the validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Members.

13.6 Counterpart Execution. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

13.7 Specific Performance. Each Member agrees with the other Members that the other Members would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide an adequate remedy in such event. Accordingly, it is agreed that, in addition to any other remedy to which the nonbreaching Members may be entitled, at law or in equity, the nonbreaching Members shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and specifically to enforce the terms and provisions of this Agreement in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction thereof.

13.8 Amendments. Amendments, restatements and corrections to and cancellations of this Agreement may be proposed by any Member by notice to the Company and the Managing Member. Following such proposal, the Managing Member on behalf of the Company shall submit to the Members a verbatim statement of any proposed amendment, restatement, correction or cancellation and shall seek the written vote of the Members thereon or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. A proposed amendment, restatement, correction or cancellation shall be adopted and be effective as an amendment, restatement, correction or cancellation of this Agreement only if such amendment, restatement, correction or cancellation receives the affirmative vote of all the Members.

13.9 Fair Price. EACH MEMBER AGREES THAT THE PROCEDURES SET FORTH IN SECTION 11.7 ARE INTENDED TO ENSURE THAT A FAIR PRICE FOR THE COMPANY PROPERTY IS RECEIVED IN RETURN FOR ANY DISPOSITIONS THEREOF.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the day first above set forth.

Calfinco: CALFINCO INC.

By: /s/ JEFFREY J. MISNER

Jeffrey J. Misner
Vice President

CEA: CHASE EQUITY ASSOCIATES, L.P.

By: Chase Capital Partners,
its General Partner

By: /s/ BRIAN RICHMOND

Brian Richmond
General Partner

Schedule 5.7

Assets of the Company after giving effect to Closing Date transactions

1. Rights under that certain Slot Lease Agreement, dated as of April 17, 1998, between the Company and Continental Airlines, Inc.

2. Rights under that certain Redemption Option Agreement, dated as of April 17, 1998 between the Company and Chase Equity Associates, L.P.

3. Rights in the following Slots:

A. CHICAGO O'HARE

	TIME	SLOT NO.
1.	07:15	7240*
2.	07:15	8270
3.	08:15	7664
4.	08:45	7742
5.	09:45	7796
6.	10:15	7475
7.	10:15	8659
8.	11:15	7971*
9.	11:45	8506*
10.	11:45	7439*
11.	12:15	8426*
12.	13:15	7609*
13.	13:45	7178*
14.	13:45	7377
15.	14:15	7320*
16.	14:15	8071*
17.	14:45	8316*
18.	14:45	7682
19.	15:15	8640
20.	15:45	7970*
21.	16:15	8327
22.	16:15	7659
23.	16:45	7924*
24.	16:45	8290
25.	17:15	7591*
26.	17:45	7743
27.	18:15	8200*
28.	18:15	7977
29.	18:15	7635*

* As of April 1998, licensed to a third-party commercial air carrier.

B. WASHINGTON NATIONAL

	TIME	SLOT NO.
1.	07:00	1209*
2.	07:00	1270
3.	07:00	1568
4.	08:00	1610
5.	08:00	1498*
6.	09:00	1637
7.	09:00	1453
8.	09:00	1335*
9.	10:00	1026
10.	11:00	1120*
11.	11:00	1067*
12.	11:00	1020
13.	12:00	1572*
14.	12:00	1368
15.	13:00	1069*
16.	13:00	1656
17.	13:00	1068
18.	14:00	1545
19.	14:00	1615
20.	14:00	1520
21.	15:00	1600
22.	15:00	1054
23.	15:00	1164*
24.	16:00	1156
25.	16:00	1111*
26.	16:00	1527*
27.	17:00	1071*
28.	17:00	1280
29.	18:00	1324*
30.	19:00	1095*
31.	19:00	1129*
32.	19:00	1294*
33.	19:00	1550*
34.	19:00	1301
35.	20:00	1279
36.	20:00	1640*
37.	20:00	1288*
38.	20:00	1448*
39.	21:00	1647
40.	21:00	1558
41.	21:00	1239

* As of April 1998, licensed to a third-party commercial air carrier.

C. LAGUARDIA - DEPARTURE

	TIME	SLOT NO.
1.	07:00	3851*
2.	08:30	3595*
3.	08:30	3336
4.	09:30	3181*
5.	10:00	3198*
6.	11:00	3663*
7.	12:00	3833
8.	13:00	3331
9.	13:30	3808
10.	14:30	3379*
11.	15:30	3363*
12.	16:30	3805
13.	17:00	3090*
14.	17:00	3274*
15.	17:30	3412*
16.	18:30	3398*
17.	19:30	3572

* As of April 1998, licensed to a third-party commercial air carrier.

D. LAGUARDIA - ARRIVAL

	TIME	SLOT NO.
1.	08:30	3077*
2.	09:00	3087
3.	10:30	3827*
4.	12:30	3582
5.	13:30	3108*
6.	15:30	3618*
7.	16:00	3091*
8.	16:00	3810*
9.	17:00	3678*
10.	17:30	3288*
11.	18:00	3173*
12.	18:30	3800
13.	19:00	3620*
14.	19:30	3679*
15.	21:30	3053*

* As of April 1998, licensed to a third-party commercial air carrier.

EXHIBIT A

TO

AMENDED AND RESTATED COMPANY AGREEMENT

Definitions

"Act" means the Delaware Limited Liability Company Act.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts that such Member is obligated to restore pursuant to any provision of the Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of each of Sections 1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations; and

(b) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any executive officer, director or general partner of such Person or (iii) any Person who is an executive officer, director, general partner, or trustee of any Person described in clauses (i) and (ii) of this sentence. For the purpose of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise.

"Agreement" means the document to which this Exhibit A is attached.

"Bankruptcy" means, with respect to any Person, a Voluntary Bankruptcy or an Involuntary Bankruptcy.

"Business Day" means any day of the year except Saturday or Sunday and that is a day on which banks are not required or authorized by law to close in New York City, Wilmington, Delaware or Houston, Texas.

"CAL" means Continental Airlines, Inc., a Delaware corporation.

"CAL Sale Agreement" means that certain Sale Agreement, effective as of the Closing Date, between CAL and the Company, pursuant to which CAL agrees to sell the Slots to the Company.

"Calfinco" means CALFINCO Inc., a Delaware corporation and the initial managing member of the Company.

"Capital Account" means the capital account established for each Member pursuant to Section 5.1 of the Agreement.

"Capital Contribution" means, with respect to any Member, the amount of money and the initial fair market value of any property (other than money) contributed to the Company by such Member (or its predecessors in interest) with respect to the Member Interest in the Company held by such Member.

"Cash Equivalents" means cash and any of the following: (i) amounts credited to current accounts, deposit accounts, time deposits, insured certificates of deposit or freely marketable and transferable debt obligations of any United States bank that is a member of the United States Federal Reserve System and whose short-term unsecured and non-credit enhanced debt obligations are rated at least A-1 and P-1 by S&P and Moody's, respectively, or any then equivalent rating announced by S&P or Moody's, respectively, and which is not subject to currency controls; (ii) U.S. Treasury securities or any other freely negotiable and marketable debt securities issued by the government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the same; and (iii) any commercial paper issued in the United States by a Person whose short-term unsecured and non-credit enhanced debt obligations are rated at least A-1 and P-1 by S&P and Moody's, respectively, or any then equivalent rating announced by S&P or Moody's, respectively (other than such commercial paper issued by CAL or its Affiliates); provided, however, that items described in clauses (i) through (iii) shall not constitute Cash Equivalents unless (A) such items are denominated in Dollars, (B) if issued by a non-governmental entity, such items are issued by an issuer whose long-term debt obligations are rated at least "A-" by S&P, "A3" by Moody's, or any then equivalent rating announced by S&P or Moody's, respectively, or an equivalent investment grade rating from a nationally recognized debt rating agency, (C) such items are not issues the interest or dividend on which is exempt from federal income tax (or would be so exempt if the issue were held by a citizen or resident of the United States or a domestic corporation (as defined in Section 7701(a) of the Code)) and (D) if other than cash, such items have a remaining maturity of not longer than ninety (90) days.

"CEA" has the meaning set forth in the introduction of the Agreement.

"Closing Date" means the date that the Members make their initial Capital Contributions pursuant to Section 5.2 of the Agreement.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company" means Calair L.L.C.

"Company Expenses" means, without duplication, all interest, costs, expenses, indemnities, fees (including reasonable attorneys' and accountants' fees), Taxes and other payment obligations incurred or owing by the Company (excluding any liquidating distributions of a Member's Capital Account pursuant to Section 11 of the Agreement).

"Company Liquidator" has the meaning set forth in Section 11.6 of the Agreement.

"Company Property" means, at any time, all assets owned at such time by the Company, and shall include both tangible and intangible property.

"Compliance Certificate" means a written certification that no Termination Event has occurred and is continuing, or if any such event has occurred and is continuing, the action that the Company is taking or proposes to take with respect to such event signed by a senior financial or accounting officer of the Managing Member.

"Covered Documents" has the meaning specified in Section 12.1(i) of the Agreement.

"Credit Documents" means the Indenture and the other documents executed as further evidence of, security for, or in connection with the Indebtedness evidenced by the Indenture.

"Disposition" means any sale, exchange, lease, conversion or other disposition of any Company Property. "Dispose" and "Disposed" shall have the correlative meanings.

"Distribution" means any distribution or dividend or return of capital or any other distribution, payment, remittance or delivery of property or cash in respect of, or the redemption, retirement, purchase or other acquisition, directly or indirectly, of, any Member Interest now or hereafter outstanding or the setting aside of any funds for any of the foregoing purposes. "Distribute" and "Distributed" shall have the correlative meanings.

"Dollars" and the sign "$" each mean the lawful money of the United States.

"Expenses" means (i) any and all judgments, damages or penalties with respect to, or amounts paid in settlement of, claims (including negligence, strict or absolute liability, liability in tort and liabilities arising out of violation of laws or regulatory requirements of any kind), actions, or suits, and (ii) any and all liabilities, obligations, losses, costs, expenses (including reasonable fees and disbursements of counsel and claims, damages, losses, liabilities and expenses relating to environmental matters) and disbursements but excluding Taxes.

"Fiscal Quarter" means (i) the period commencing on April 1, 1998 and ending on June 30, 1998 and (ii) any subsequent period commencing on each of January 1, April 1, July 1 and October 1 and ending on the earlier to occur of (x) the last date before the next such date and (y) the date on which all Company Property is distributed pursuant to Section 11.2 of the Agreement and Company's certificate of formation has been canceled pursuant to the Act.

"Fiscal Year" means (i) the period commencing on January 1 1998 and ending on December 31, 1998 and (ii) any subsequent period commencing on January 1 and ending on the

earlier to occur of (x) the next December 31 and (y) the date on which all Company Property is distributed pursuant to Section 11.2 of the Agreement and the Company's certificate of formation has been canceled pursuant to the Act.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other similar agreements.

"Indebtedness" of any Person means, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person for the deferred purchase price of property or services, (iii) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments, (iv) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (v) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (vi) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities, (vii) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any partnership or member or other equity interests of such Person, (viii) all obligations of such Person in respect of Hedge Agreements, (ix) all other financial obligations of such Person under any contract or other agreement to which such Person is a party, (x) all Indebtedness of other Persons of the type described in clauses (i) through (ix) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (A) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (C) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss, and (xi) all Indebtedness of the type described in clauses (i) through (x) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for payment of such Indebtedness.

"Indemnified Amount" has the meaning specified in Section 12.1 of the Agreement.

"Indemnified Person" has the meaning specified in Section 12.1 of the Agreement.

"Indemnitor" has the meaning specified in Section 12.1 of the Agreement.

"Indenture" means that certain indenture dated as of the Closing Date, among certain parties, including the Company and Calair Capital Corporation, as issuers, and Bank One Texas, N.A., as

trustee, pursuant to which notes in the aggregate principal amount of $115,000,000 will be issued, evidencing Indebtedness borrowed by the Company to pay a portion of the consideration for the purchase of the Slots.

"Investment Company Act" means the United States Investment Company Act of 1940.

"Involuntary Bankruptcy" means, with respect to any Person, without the consent or acquiescence of such Person, the entering of an order for relief or approving a petition for relief or reorganization or any other petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any present or future bankruptcy, insolvency or similar Law, or the filing of any such petition against such Person that shall not be dismissed or stayed within sixty (60) days, or, without the consent or acquiescence of such Person, the entering of an order appointing a trustee, custodian, receiver or liquidator of such Person or of all or any substantial part of the property of such Person that shall not be dismissed or stayed within sixty (60) days.

"Law" means any law, treaty, statute, rule, regulation, order, code, judgment, decree, injunction, writ, requirement or decision of or agreement with or by any government or governmental department, commission, board, court, authority or agency having jurisdiction of the matter in question.

"Lien" means any mortgage, pledge, hypothecation, assignment, encumbrance, lien (statutory or other), priority, security interest or other security device or arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code (as in effect from time to time in the relevant jurisdiction), or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Liquidation Period" means the period commencing on the Liquidation Start Date and ending on the date of the Disposition of all of the Company Property and any proceeds received from the sales of the Company Property pursuant to Section 11.7.

"Liquidation Start Date" has the meaning set forth in Section 11.1 of the Agreement.

"Losses" has the meaning set forth in the definition of Profits and Losses.

"Managing Member" means the Member designated as the Managing Member pursuant to Section 4.1(b) of the Agreement, as such Member may be replaced as provided therein.

"Member" means either Calfinco or CEA, or any permitted successor to, or Permitted Transferee of, either Calfinco or CEA.

"Member Interest" means an interest in the Company described in Section 3.2 of the Agreement.

"Member Nonrecourse Debt" - the meaning assigned to the term "partner nonrecourse debt" in Section 1.704-2(b)(4) of the Regulations.

"Member Nonrecourse Debt Minimum Gain" shall have the meaning assigned to the term "partner nonrecourse debt minimum gain" term in Section 1.704-2(i)(2) of the Regulations.

"Member Nonrecourse Deductions" shall have the meaning assigned to the term "partner nonrecourse deductions" in Section 1.704-2(i)(1) of the Regulations.

"Minimum Gain" shall have the meaning assigned to that term in Section 1.704-2(d) of the Regulations.

"Moody's" means Moody's Investors Service, Inc. and any successor rating agency.

"Nonrecourse Deductions" shall have the meaning assigned to that term in Section 1.704-2(b)(1) of the Regulations.

"Nonrecourse Liability" shall have the meaning assigned to that term in Section 1.752-1(a)(2) of the Regulations.

"Offer" shall have the meaning set forth in Section 9.2(c) of the Agreement.

"Operative Documents" means, collectively, the Organizational Documents of the Company, the CAL Sale Agreement, the Slot Lease, the Redemption Option Agreement, and the Credit Documents.

"Organizational Documents" means, with respect to any Person, any certificate of incorporation, charter, by-laws, memorandum of association, articles of association, partnership agreement, limited liability company agreement (including the Agreement), certificate of limited partnership, certificate of formation, certificate of trust, trust agreement, indenture or other agreement or instrument under which such person is formed or organized under applicable Laws.

"Payment Date" means the first Business Day of each April and October in each year, commencing the first Business Day of October 1998.

"Permitted Liens" means (i) bankers' rights of set-off for uncollected items and routine fees and expenses arising in the ordinary course of business, (ii) Liens created by or pursuant to, or expressly permitted under, any Operative Document, (iii) Liens for taxes and other governmental charges and assessments (and other Liens imposed by Law) not yet delinquent or being contested in good faith and by proper proceedings and as to which appropriate reserves (in the good faith judgment of the relevant Person) are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors, (iv) restrictions on transfers of securities or voting under applicable Laws, and (v) restrictions on the transfer of assets of the Company under the Agreement and any other Operative Documents.

"Permitted Transfer" means any Transfer of a Member Interest permitted by Section 9.2 of the Agreement.

"Permitted Transferee" means any Person to which a Member Interest is Transferred pursuant to a Permitted Transfer.

"Person" means any individual, partnership (whether general or limited), corporation (including a business trust), joint stock company, limited liability company, trust, estate, association, custodian, nominee, joint venture, or other entity, or a government or any political subdivision or agency thereof.

"Prime Rate" means the rate of interest from time to time announced by The Chase Manhattan Bank at its principal office in the United States as its prime commercial lending rate (or comparable rate, if such bank does not so designate a "prime commercial lending rate") such Prime Rate to change when and as such prime commercial lending rate (or such comparable rate) changes.

"Profits" and "Losses" means, for each Fiscal Year, an amount equal to the Company's taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Section 1.704-1(b)(2)(iv)(g) of the Regulations and not otherwise taken into account in computing Profits or Losses pursuant to this definition of "Profits" and "Losses" shall be subtracted from such taxable income or loss;

(iii) In the event the carrying value of any Company Property is adjusted, the amount of such adjustment shall be taken into account as gain or loss from the Disposition of such asset for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any Disposition of Company Property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the carrying value of the property Disposed of, notwithstanding that the adjusted tax basis of such property differs from its carrying value;

(v) All Taxes paid or accrued by the Company shall be treated as deductions in computing Profits and Losses; and

(vi) Any items that are specially allocated pursuant to Section 6.2 of the Agreement shall not be taken into account in computing Profits or Losses.

The amounts of the items of income, gain, loss or deduction available to be specially allocated pursuant to Section 6.2 of the Agreement shall be determined by applying rules analogous to those set forth in clauses (i) through (v) above.

"Redemption Option Agreement" means that certain Redemption Option Agreement dated as of the Closing Date, between the Company and CEA.

"Regulations" means the income tax regulations, including temporary regulations, promulgated under the Code.

"Regulatory Allocations" shall have the meaning set forth in Section 6.3 of the Agreement.

"Retained Amounts" shall have the meaning set forth in Section 7.1(a) of the Agreement.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. and any successor rating agency.

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

"Sharing Ratio" means, in the case of CEA, twenty-four percent (24%), unless and until (i) the Company redeems one-half (1/2) of CEA's Member Interest pursuant to Section 1 of the Redemption Option Agreement, in which case, CEA's Sharing Ratio after such redemption will be twelve percent (12%), or (ii) the Company redeems CEA's entire remaining Member Interest pursuant to paragraphs 2, 3, 4, 5, 6, 7, or 8 of the Redemption Option Agreement, in which case CEA's Sharing Ratio after such redemption will be zero (0). Calfinco's Sharing Ratio, at any particular time, shall equal one hundred percent (100%) minus CEA's Sharing Ratio at such time.

"Slot Lease" means that certain Slot Lease Agreement, effective as of the Closing Date, between CAL and the Company, pursuant to which the Company leases the Slots to CAL.

"Slots" means the "Leased Slots" as defined in the Slot Lease.

"Tax Matters Member" means Calfinco when acting pursuant to its authority under Section 8.2(b) of the Agreement.

"Taxes" or "Tax" means any and all taxes (including net income, gross income, franchise, value added, ad valorem, gross receipts, leasing, excise, fuel, excess profits, sales, use, property (personal or real, tangible or intangible) and stamp taxes), levies, imposts, duties, charges, assessments, or withholdings of any nature whatsoever, general or special, ordinary or extraordinary, now existing or hereafter created or adopted, together with any and all penalties, fines, additions to tax and interest thereon.

"Tenth Anniversary" means the tenth (10) anniversary of the Closing Date.

"Termination Event" means the occurrence of any of the following events; provided, that, in the case of clauses (iii) through (xi), (A) CEA has delivered to Calfinco a Trigger Event Notice, (B) such event has not been cured or otherwise resolved to CEA's satisfaction, within five (5) Business Days after the delivery of such Trigger Event Notice, and (C) such Trigger Event Notice has not been rescinded by CEA, in CEA's sole discretion, in accordance with Section 4.4(a) of the Agreement:

(i) The unanimous vote of the Members to dissolve, wind up, and liquidate the Company;

(ii) Any event that makes it unlawful or impossible to carry on the business of the Company, or the Delaware court of Chancery has entered a final decree of dissolution of the Company pursuant to Section 18-802 of the Act;

(iii) The Transfer by Calfinco of all or any portion of its Member Interest other than pursuant to a Permitted Transfer;

(iv) The occurrence of an event of default under any Credit Document or under any document executed in connection with the refinancing of the Indebtedness evidenced by the Credit Documents, and (if any such Indebtedness is held by Persons who are not Affiliates of the Managing Member) the exercise of any remedy, including acceleration, in respect of such default;

(v) If the Company has received the "Redemption Notice" as provided in the Redemption Option Agreement and the Company does not notify CEA of the Company's election to redeem CEA's entire Member Interest in accordance with the Redemption Option Agreement within ten (10) Business Days after receipt of the Redemption Notice, at any time after the expiration of such ten (10) day period;

(vi) If the Company has not acquired CEA's entire Member Interest on the Tenth Anniversary in accordance with the Redemption Option Agreement, at any time after the Tenth Anniversary;

(vii) CAL shall fail to pay any rent under the Slot Lease when due and such failure shall continue unremedied for ten (10) days;

(viii) As long as Calfinco is the Managing Member, Calfinco shall have willfully caused the Company to Transfer Slots in violation of the Agreement; or CAL or Calfinco shall have failed to perform any covenant or other obligation, other than as described in clause (vii) above, contained in any Operative Document, including any failure to cause the Company to pay Distributions pursuant to Section 7.2 of the Agreement, and the failing party shall have failed to commence the cure of such failure within thirty (30) days after such party shall have been notified of such failure by CEA, or thereafter Calfinco shall have failed to proceed diligently with such cure to completion;

(ix) Any certification, representation or warranty made or deemed made by Calfinco under or in connection with the Agreement or any other Operative Document shall

prove to have been incorrect in any material respect when made and such material inaccuracy is continuing;

(x) the failure of CAL to repay the Indebtedness described in Section 7.1(a)(iii) of the Agreement, when due; and

(xi) the Bankruptcy of CAL or Calfinco.

"Termination Notice" has the meaning set forth in Section 11.1(b) of the Agreement.

"Transfer" means, with respect to any Member Interest, as a noun, any voluntary or involuntary transfer, sale, assignment of an interest in or other disposition of such Member Interest (other than a retirement or redemption of such Member's Member Interest), and, as a verb, voluntarily or involuntarily to transfer, sell, assign or otherwise dispose of, such Member Interest (other than to retire or redeem such Member's interest), including, in each case, any transfer by operation of law, merger, bankruptcy or otherwise. The adjective "Transferred" has the correlative meaning. "Transfer" does not include any pledge, hypothecation, collateral assignment, or other creation of a security interest, but does include any foreclosure of any such security interest.

"Transferee Certificate" means a certificate executed by a prospective transferee of a Member Interest in accordance with Section 9.3(e) of the Agreement and in the form of Exhibit B thereof.

"Trigger Event" has the meaning specified in Section 4.4(a) of the Agreement.

"Trigger Event Notice" has the meaning specified in Section 4.4(a) of the Agreement.

"United States" and "U.S." each mean the United States of America.

"Voluntary Bankruptcy" means, with respect to any Person: (i) (a) the inability of such Person generally to pay its debts as such debts become due, (b) the failure of such Person generally to pay its debts as such debts become due, or (c) an admission in writing by such Person of its inability to pay its debts generally or a general assignment by such Person for the benefit of creditors; (ii) the filing of any petition by such Person under 11 U.S.C. Section 101 et seq. seeking to adjudicate itself a bankrupt or insolvent, or the filing of an answer or other pleading admitting or failing to contest the allegations of a petition filed against it in any proceeding of this nature, or seeking for itself any liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of such Person or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking, consenting to, or acquiescing in the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for such Person or for any substantial part of its property; or (iii) an action taken by such Person to authorize any of the actions set forth above.

"Wholly Owned Affiliate" of any Person means (i) an Affiliate of such Person 100% of the capital stock (or its equivalent in the case of entities other than corporations) of which is owned beneficially by such Person, directly or indirectly through one or more Wholly Owned Affiliates, or by any Person who, directly or indirectly, owns beneficially 100% of the capital stock (or its equivalent in the case of entities other than corporations) of such Person, or (ii) an Affiliate of such

Person who, directly or indirectly, owns beneficially 100% of the capital stock (or its equivalent in the case of entities other than corporations) of such Person, provided that, for purposes of determining the ownership of the capital stock of any Person, de minimis amounts of stock held by directors, nominees and similar persons pursuant to statutory or regulatory requirements shall not be taken into account.

EXHIBIT B

TO

AMENDED AND RESTATED COMPANY AGREEMENT

Transferee Certificate

This Transferee Certificate is executed on this _____ day of _____, 199__, by each person or entity whose name appears in the signature blocks set forth below (the "Transferee") in favor of Calair L.L.C., a Delaware limited liability company ("Calair") and [the remaining Member] (the "Remaining Member").

RECITALS

[The selling Member] (the "Selling Member") and the Remaining Member are parties to that certain Company Agreement dated April __, 1998, among the Remaining Member and the Selling Member (the "Company Agreement").

Pursuant to an agreement between the Selling Member and the Transferee, the Selling Member is transferring its Member Interest to the Transferee.

In order to satisfy the conditions set forth in Section 9.3(a) of the Company Agreement, the Transferee has agreed to execute and deliver this Transferee Certificate in favor of Calair and the Remaining Member.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Transferee hereby certifies and agrees as follows:

1. DEFINED TERMS. Any capitalized term used herein but not defined shall have the meaning given such term in the Company Agreement.

2. CERTIFICATIONS. The Transferee hereby represents and warrants, as of the date hereof, to Calair and the Remaining Member:

(a) Hart-Scott-Rodino Matters. The Transferee does not, directly or indirectly, have (i) the right to 50% or more of the profits of Calair or (ii) the right, in the event of a dissolution of Purchaser, to 50% or more of the assets of Calair.

(b) Investment Company Matters. The Transferee is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the

Investment Company Act of 1940, as amended, or an "investment advisor" within the meaning of the Investment Advisers Act of 1940, as amended.

(c) Investor Sophistication. Transferee (i) acknowledges that it has performed all due diligence that it desires to perform to enable it to evaluate the risks and merits of consummating the transactions contemplated by the Company Agreement and the Operative Documents, and (ii) is financially capable of owning, and bearing the risks of ownership of, a Member Interest in Calair.

(d) Securities Law Matters. Transferee is acquiring the Member Interests for its own account, for investment purposes only and not with a view to the distribution or resale thereof.

(e) ERISA Matters. The Transferee is not (i) an "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or (ii) an Entity that holds the assets of any such plan.

3. COVENANTS. Transferee covenants and agrees with Calair and the Remaining Member that from and after the date hereof, Transferee will not transfer all or any portion of its interest in Calair to another Person, or take or fail to take any other action, if the effect thereof would be to cause the representations and warranties of Transferee set forth in Sections 2(b) and (e) above to cease to be true and correct as of the date of such transfer, action or inaction.

EXECUTED as of the day and year first written above.

TRANSFEREE

By: ----------

Name: ----------

Title: ----------

EXHIBIT 3.3

CERTIFICATE OF INCORPORATION

OF

CALAIR CAPITAL CORPORATION

FIRST: The name of the corporation is Calair Capital Corporation.

SECOND: The address of its registered office in the State of Delaware is 1209 Orange Street, The Corporation Trust Center in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of stock which the corporation shall have authority to issue is Ten Thousand (10,000) shares of Common Stock of the par value of One Cent ($.01) per share.

FIFTH: The name of the incorporator is Jeffrey J. Misner and his mailing address is 2929 Allen Parkway, Suite 2010, Houston, Texas 77019.

SIXTH: The name and mailing address of the director, who shall serve until the first annual meeting of stockholders or until his successor is elected and qualified, are as follows:

NAME	ADDRESS
Jeffrey J. Misner	2929 Allen Parkway Suite 2010 Houston, Texas 77019

The number of directors of the corporation shall be as specified in, or determined in the manner provided in, the bylaws. Election of directors need not be by written ballot.

SEVENTH: In furtherance of, and not in limitation of, the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the bylaws of the corporation.

EIGHTH: Whenever a compromise or arrangement is proposed between the corporation and its creditors or any class of them and/or between the corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in

a summary way of the corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the corporation, as the case may be, and also on the corporation.

NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

TENTH: The corporation shall have the right, subject to any express provisions or restrictions contained in the certificate of incorporation or bylaws of the corporation, from time to time, to amend the certificate of incorporation or any provision thereof in any manner now or hereafter provided by law, and all rights and powers of any kind conferred upon a director or stockholder of the corporation by the certificate of incorporation or any amendment thereof are subject to such right of the corporation.

I, the undersigned, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring that this is my act and deed and that the facts herein stated are true, and accordingly have hereunto set my hand this 30th day of March, 1998.

/s/ JEFFREY J. MISNER

Jeffrey J. Misner
Incorporator

EXHIBIT 3.4

BYLAWS

OF

CALAIR CAPITAL CORPORATION

A Delaware Corporation

Date of Adoption:

March 31, 1998

CALAIR CAPITAL CORPORATION

BYLAWS

TABLE OF CONTENTS

DELAWARE BYLAWS

OF

CALAIR CAPITAL CORPORATION

Article I

Offices

Section 1. Registered Office. The registered office of the Corporation required by the General Corporation Law of the State of Delaware to be maintained in the State of Delaware, shall be the registered office named in the original Certificate of Incorporation of the Corporation, or such other office as may be designated from time to time by the Board of Directors in the manner provided by law. Should the Corporation maintain a principal office within the State of Delaware such registered office need not be identical to such principal office of the Corporation.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Article II

Stockholders

Section 1. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof.

Section 2. Quorum; Adjournment of Meetings. Unless otherwise required by law or provided in the Certificate of Incorporation or these bylaws, the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders for the transaction of business and the act of a majority of such stock so represented at any meeting of stockholders at which a quorum is present shall constitute the act of the meeting of stockholders. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Notwithstanding the other provisions of the Certificate of Incorporation or these bylaws, the chairman of the meeting or the holders of a majority of the issued and outstanding stock, present in person or represented by proxy, at any meeting of stockholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at such meeting. At such adjourned meeting at which a quorum shall be

present or represented any business may be transacted which might have been transacted at the meeting as originally called.

Section 3. Annual Meetings. An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, within or without the State of Delaware, on such date, and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 4. Special Meetings. Unless otherwise provided in the Certificate of Incorporation, special meetings of the stockholders for any purpose or purposes may be called at any time by the Chairman of the Board (if any), by the President or by a majority of the Board of Directors, or by a majority of the executive committee (if any), and shall be called by the Chairman of the Board (if any), by the President or the Secretary upon the written request therefor, stating the purpose or purposes of the meeting, delivered to such officer, signed by the holder(s) of at least ten percent (10%) of the issued and outstanding stock entitled to vote at such meeting.

Section 5. Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors of the Corporation may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the Board of Directors does not fix a record date for any meeting of the stockholders, the record date for determining stockholders entitled to notice of or to vote at such meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if in accordance with Article VIII, Section 3 of these bylaws notice is waived, at the close of business on the day next preceding the day on which the meeting is held. If, in accordance with Section 12 of this Article II, corporate action without a meeting of stockholders is to be taken, the record date for determining stockholders entitled to express consent to such corporate action in writing, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Notice of Meetings. Written notice of the place, date and hour of all meetings, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be

given by or at the direction of the Chairman of the Board (if any) or the President, the Secretary or the other person(s) calling the meeting to each stockholder entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Such notice may be delivered either personally or by mail. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 7. Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The stock list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 8. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. Proxies for use at any meeting of stockholders shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the secretary of the meeting who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes, unless an inspector or inspectors shall have been appointed by the chairman of the meeting, in which event such inspector or inspectors shall decide all such questions.

No proxy shall be valid after three (3) years from its date, unless the proxy provides for a longer period. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power.

Should a proxy designate two or more persons to act as proxies, unless such instrument shall provide the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, each proxy so attending shall be entitled to exercise such powers in respect of the same portion of the shares as he is of the proxies representing such shares.

Section 9. Voting; Elections; Inspectors. Unless otherwise required by law or provided in the Certificate of Incorporation, each stockholder shall have one vote for each share of stock entitled to vote which is registered in his name on the record date for the meeting. Shares registered in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the bylaw (or comparable instrument) of such corporation may prescribe, or in the absence of such

provision, as the Board of Directors (or comparable body) of such corporation may determine. Shares registered in the name of a deceased person may be voted by his executor or administrator, either in person or by proxy.

All voting, except as required by the Certificate of Incorporation or where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by stockholders holding a majority of the issued and outstanding stock present in person or by proxy at any meeting a stock vote shall be taken. Every stock vote shall be taken by written ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. All elections of directors shall be by ballot, unless otherwise provided in the Certificate of Incorporation.

At any meeting at which a vote is taken by ballots, the chairman of the meeting may appoint one or more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. Such inspector shall receive the ballots, count the votes and make and sign a certificate of the result thereof. The chairman of the meeting may appoint any person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

Unless otherwise provided in the Certificate of Incorporation, cumulative voting for the election of directors shall be prohibited.

Section 10. Conduct of Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board (if any), or if he is not present, by the President, or if neither the Chairman of the Board (if any), nor President is present, by a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor an Assistant Secretary is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order. Unless the chairman of the meeting of stockholders shall otherwise determine, the order of business shall be as follows:

(a) Calling of meeting to order.
(b) Election of a chairman and the appointment of a secretary if necessary.
(c) Presentation of proof of the due calling of the meeting.
(d) Presentation and examination of proxies and determination of a quorum.
(e) Reading and settlement of the minutes of the previous meeting.
(f) Reports of officers and committees.
(g) The election of directors if an annual meeting, or a meeting called for that purpose.
(h) Unfinished business.
(i) New business.
(j) Adjournment.

Section 11. Treasury Stock. The Corporation shall not vote, directly or indirectly, shares of its own stock owned by it and such shares shall not be counted for quorum purposes.

Section 12. Action Without Meeting. Unless otherwise provided in the Certificate of Incorporation, any action permitted or required by law, the Certificate of Incorporation or these bylaws to be taken at a meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than a unanimous written consent shall be given by the Secretary to those stockholders who have not consented in writing.

Article III

Board of Directors

Section 1. Power; Number; Term of Office. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and subject to the restrictions imposed by law or the Certificate of Incorporation, they may exercise all the powers of the Corporation.

The number of directors which shall constitute the whole Board of Directors, shall be determined from time to time by resolution of the Board of Directors (provided that no decrease in the number of directors which would have the effect of shortening the term of an incumbent director may be made by the Board of Directors). If the Board of Directors makes no such determination, the number of directors shall be the number set forth in the Certificate of Incorporation. Each director shall hold office for the term for which he is elected, and until his successor shall have been elected and qualified or until his earlier death, resignation or removal.

Unless otherwise provided in the Certificate of Incorporation, directors need not be stockholders nor residents of the State of Delaware.

Section 2. Quorum. Unless otherwise provided in the Certificate of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business of the Board of Directors and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3. Place of Meetings; Order of Business. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by law, in such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine by resolution. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board (if any), or in his absence by the President, or by resolution of the Board of Directors.

Section 4. First Meeting. Each newly elected Board of Directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of the stockholders. Notice of such meeting shall not be required. At the first meeting of the Board of Directors in each year at which a quorum shall be present, held next after the annual meeting of stockholders, the Board of Directors shall proceed to the election of the officers of the Corporation.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board (if any), the President or, on the written request of any two directors, by the Secretary, in each case on at least twenty-four (24) hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Article VIII, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for in the Certificate of Incorporation or these bylaws.

Section 7. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided that, unless the Certificate of Incorporation otherwise provides, if the Board of Directors is classified, then the stockholders may effect such removal only for cause; and provided further that, if the Certificate of Incorporation expressly grants to stockholders the right to cumulate votes for the election of directors and if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part.

Section 8. Vacancies; Increases in the Number of Directors. Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or a sole remaining director; and any director so chosen shall hold office until the next annual election and until his successor shall be duly elected and shall qualify, unless sooner displaced.

If the directors of the Corporation are divided into classes, any directors elected to fill vacancies or newly created directorships shall hold office until the next election of the class for which such directors shall have been chosen, and until their successors shall be duly elected and shall qualify.

Section 9. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors.

Section 10. Action Without a Meeting; Telephone Conference Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee designated by the Board of Directors, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation, subject to the requirement for notice of meetings, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in a meeting of such Board of Directors or committee, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 11. Approval or Ratification of Acts or Contracts by Stockholders. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the vote of the stockholders holding a majority of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the stockholders as if it has been approved or ratified by every stockholder of the Corporation. In addition, any such act or contract may be approved or ratified by the written consent of stockholders holding a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote and such consent shall be as valid and as binding upon the Corporation and upon all the stockholders as if it had been approved or ratified by every stockholder of the Corporation.

Article IV

Committees

Section 1. Designation; Powers. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, including, if they shall so determine, an executive committee, each such committee to consist of one or more of the directors of the Corporation. Any such designated committee shall have and may exercise such of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as may be provided in such resolution, except that no such committee shall have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders

a dissolution of the Corporation or a revocation of a dissolution of the Corporation, or amending, altering or repealing the bylaws or adopting new bylaws for the Corporation and, unless such resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Any such designated committee may authorize the seal of the Corporation to be affixed to all papers which may require it. In addition to the above such committee or committees shall have such other powers and limitations of authority as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 1 of this Article shall choose its own chairman, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

Section 3. Substitution of Members. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Article V

Officers

Section 1. Number, Titles and Term of Office. The officers of the Corporation shall be a President, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Chief Financial Officer, and a Secretary and, if the Board of Directors so elects, a Chairman of the Board and such other officers as the Board of Directors may from time to time elect or appoint. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person, unless the Certificate of Incorporation provides otherwise. Except for the Chairman of the Board, if any, no officer need be a director.

Section 2. Salaries. The salaries or other compensation of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors at a special meeting called for the purpose, or at any regular meeting of the Board of Directors,

provided the notice for such meeting shall specify that the matter of any such proposed removal will be considered at the meeting but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5. Powers and Duties of the Chief Executive Officer. The President shall be the chief executive officer of the Corporation unless the Board of Directors designates the Chairman of the Board as chief executive officer. Subject to the control of the Board of Directors and the executive committee (if any), the chief executive officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; he may agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign all certificates for shares of capital stock of the Corporation; and shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 6. Powers and Duties of the Chairman of the Board. If elected, the Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors; and he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 7. Powers and Duties of the President. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, he shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the stockholders and (should he be a director) of the Board of Directors; and he shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 8. Vice Presidents. In the absence of the President, or in the event of his inability or refusal to act, a Vice President designated by the Board of Directors shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. In the absence of a designation by the Board of Directors of a Vice President to perform the duties of the President, or in the event of his absence or inability or refusal to act, the Vice President who is present and who is senior in terms of time as a Vice President of the Corporation shall so act. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 9. Chief Financial Officer. The Chief Financial Officer shall have responsibility for the custody and control of all the funds and securities of the Corporation, and he shall have such

other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors. He shall perform all acts incident to the position of Chief Financial Officer, subject to the control of the chief executive officer and the Board of Directors; and he shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties in such form as the Board of Directors may require.

Section 10. Assistant Treasurers. Each Assistant Treasurer shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors. The Assistant Treasurers shall exercise the powers of the Chief Financial Officer during that officer's absence or inability or refusal to act.

Section 11. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors, committees of directors and the stockholders, in books provided for that purpose; he shall attend to the giving and serving of all notices; he may in the name of the Corporation affix the seal of the Corporation to all contracts of the Corporation and attest the affixation of the seal of the Corporation thereto; he may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours; he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors; and he shall in general perform all acts incident to the office of Secretary, subject to the control of the chief executive officer and the Board of Directors.

Section 12. Assistant Secretaries. Each Assistant Secretary shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the chief executive officer or the Board of Directors. The Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act.

Section 13. Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the chief executive officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of security holders of or with respect to any action of security holders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

Article VI

Indemnification of Directors, Officers, Employees and Agents

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Section or otherwise.

Section 2. Indemnification of Employees and Agents. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the indemnification of directors and officers provided for in this Article.

Section 3. Right of Claimant to Bring Suit. If a written claim received by the Corporation from or on behalf of an indemnified party under this Article VI is not paid in full by the Corporation

within ninety days after such receipt, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 4. Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any law (common or statutory), provision of the Certificate of Incorporation of the Corporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 7. Definitions. For purposes of this Article, reference to the "Corporation" shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger prior to (or, in the case of an entity specifically designated in a resolution of the Board of Directors, after) the adoption hereof and which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or

agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

Article VII

Capital Stock

Section 1. Certificates of Stock. The certificates for shares of the capital stock of the Corporation shall be in such form, not inconsistent with that required by law and the Certificate of Incorporation, as shall be approved by the Board of Directors. The Chairman of the Board (if any), President or a Vice President shall cause to be issued to each stockholder one or more certificates, under the seal of the Corporation or a facsimile thereof if the Board of Directors shall have provided for such seal, and signed by the Chairman of the Board (if any), President or a Vice President and the Secretary or an Assistant Secretary or the Chief Financial Officer or an Assistant Treasurer certifying the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) owned by such stockholder in the Corporation; provided, however, that any of or all the signatures on the certificate may be facsimile. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time by resolution determine. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares.

Section 2. Transfer of Shares. The shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives upon surrender and cancellation of certificates for a like number of shares. Upon surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. Ownership of Shares. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 4. Regulations Regarding Certificates. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of capital stock of the Corporation.

Section 5. Lost or Destroyed Certificates. The Board of Directors may determine the conditions upon which a new certificate of stock may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed; and may, in their discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims which may arise by reason of the issue of a new certificate in the place of the one so lost, stolen or destroyed.

Article VIII

Miscellaneous Provisions

Section 1. Fiscal Year. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation. The Secretary shall have charge of the seal (if any). If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Chief Financial Officer or by the Assistant Secretary or Assistant Treasurer.

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by law, the Certificate of Incorporation or under the provisions of these bylaws, said notice shall be deemed to be sufficient if given (i) by telegraphic, cable or wireless transmission or (ii) by deposit of the same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

Whenever notice is required to be given by law, the Certificate of Incorporation or under any of the provisions of these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or the bylaws.

Section 4. Resignations. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the chief executive officer or Secretary. The

acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 6. Reliance upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any of its officers, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the Corporation.

Article IX

Amendments

If provided in the Certificate of Incorporation of the Corporation, the Board of Directors shall have the power to adopt, amend and repeal from time to time bylaws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to amend or repeal such bylaws as adopted or amended by the Board of Directors.

EXHIBIT 4.2

EXECUTION COPY

CALAIR L.L.C.
and
CALAIR CAPITAL CORPORATION,
as Issuers,

and

CONTINENTAL AIRLINES, INC.,
as Guarantor,

and

BANK ONE, N.A.,
as Trustee

Senior Notes Indenture

Dated as of April 1, 1998

8 1/8% Senior Notes due 2008

CROSS-REFERENCE TABLE

TIA Sections	Indenture Sections
SS. 310(a)(1)	7.10
(b)	7.03; 7.08
SS. 311	7.03
SS. 313(a)	7.06
(c)	7.05; 7.06
SS. 315(a)	7.02
(d)	7.02
SS. 316(a)	6.06

Note: The Cross-Reference Table shall not for any purpose be deemed to be a part of the Indenture.

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INDENTURE, dated as of April 1, 1998, among CALAIR L.L.C., a Delaware limited liability company ("Calair"), and CALAIR CAPITAL CORPORATION, a Delaware corporation ("Calair Capital" and, together with Calair, the "Note Issuers"), as joint and several obligors, CONTINENTAL AIRLINES, INC., a Delaware corporation, as guarantor (the "Guarantor" and, together with the Note Issuers, the "Issuers"), and BANK ONE, N.A., a national banking association, as trustee (the "Trustee").

RECITALS

The Note Issuers have duly authorized the execution and delivery of this Indenture to provide for the issuance of up to $112,300,000 aggregate principal amount of the Note Issuers' 81/8% Senior Notes due 2008 (the "Initial Notes") issuable as provided in this Indenture and, if and when issued in exchange for notes as provided in the Registration Rights Agreement (as defined herein), 81/8% Senior Notes due 2008 (the "Exchange Notes" and, together with the Initial Notes, the "Notes"). The Guarantor has duly authorized the execution and delivery of this Indenture to provide for its guarantee (the "Parent Guarantee" and, together with the Notes, the "Securities") of the Notes. All things necessary to make this Indenture a valid agreement of the Issuers, in accordance with its terms, have been done, and the Issuers have done all things necessary to make the Securities, when executed by the Issuers and authenticated and delivered by the Trustee hereunder and duly issued by the Issuers, the valid obligations of the Issuers as hereinafter provided. This Indenture is subject to, and shall be governed by, the provisions of the Trust Indenture Act of 1939, as amended, that are required to be a part of and to govern indentures qualified under the Trust Indenture Act of 1939, as amended.

AND THIS INDENTURE FURTHER WITNESSETH

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders, as follows.

ARTICLE ONE

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Definitions.

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent, authenticating agent or co-Registrar.

"Agent Members" has the meaning provided in Section 2.07(a).

"Average Life" means, as of the date of determination with respect to any indebtedness, the quotient obtained by dividing (a) the sum of the products of (i) the number of years from the date of determination to the date or dates of each successive scheduled principal payment (including, without limitation, any sinking fund requirements) of such indebtedness multiplied by (ii) the amount of each such principal payment by (b) the sum of all such principal payments.

"Board of Directors" means, with respect to any Person, the board of directors of such Person or any committee of such board of directors duly authorized to act with respect to this Indenture or the managing member of such Person.

"Board Resolution" means, with respect to any Person, a copy of a resolution, certified by the Secretary or Assistant Secretary of such Person or the Secretary or Assistant Secretary of the managing member of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in The City of New York, in the City of Houston, Texas or in the city of the Corporate Trust Office of the Trustee, are authorized by law to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock, whether now outstanding or issued after the date of this Indenture.

"Certificated Securities" has the meaning provided in Section 2.07(b).

"Closing Date" means the date on which the Initial Notes are originally issued under this Indenture.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

"Company Agreement" means the Amended and Restated Limited Liability Company Agreement of Calair, as amended, supplemented or modified from time to time.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date of this Indenture, located at 100 East Broad Street, 8th Floor, Columbus,

Ohio 43215, and in New York City, c/o First Chicago Trust Company of New York, as agent for the Trustee, 14 Wall Street, 8th Floor, Suite 4607, New York, New York 10005.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Depositary" means The Depository Trust Company, its nominees, and their respective successors.

"ERISA" has the meaning provided in Section 2.08(e).

"Event of Default" has the meaning provided in Section 6.01.

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

"Exchange Notes" means any notes of the Note Issuers, as defined in the first paragraph of the recitals hereof, containing terms identical to the Initial Notes (except that such Exchange Notes (i) shall be registered under the Securities Act, (ii) will not provide for an increase in the rate of interest (other than with respect to overdue amounts) and (iii) will not contain terms with respect to transfer restrictions, other than the transfer restrictions provided for in Section 2.08(e) relating to certain ERISA matters) that are issued and exchanged for the Initial Notes pursuant to the Registration Rights Agreement and this Indenture.

"GAAP" means generally accepted accounting principles in the United States, as applied from time to time by any Person in the preparation of its consolidated financial statements.

"Global Securities" has the meaning provided in Section 2.01.

"Guarantee" means, as applied to any obligation, (a) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation and (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, the payment of amounts drawn down by letters of credit.

"Guarantor" means the party named as such in the first paragraph of this Indenture until a successor or successors replace it pursuant to Article Five of this Indenture and thereafter means the successor or successors.

"Holder" or "Securityholder" means the then registered holder of any Security.

"IAI Global Security" has the meaning provided in Section 2.01.

"Indenture" means this Indenture as originally executed or as it may be amended or supplemented from time to time by one or more indentures supplemental to this Indenture entered into pursuant to the applicable provisions of this Indenture.

"Initial Notes" has the meaning provided in the first paragraph of the Recitals hereof.

"Initial Purchasers" means Chase Securities Inc., Credit Suisse First Boston Corporation and Morgan Stanley & Co. Incorporated.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as that term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act.

"Interest Payment Date" means each semiannual interest payment date on April 1 and October 1 of each year, commencing October 1, 1998.

"Issuers" means the parties named as such in the first paragraph of this Indenture until a successor or successors replace them pursuant to Article Five of this Indenture and thereafter means the successor or successors.

"Issuer Order" means a written request or order signed in the name of an Issuer (i) by its Chairman, a Vice Chairman, its President, its Chief Financial Officer or a Vice President, or by the Chairman, a Vice Chairman, the President, the Chief Financial Officer or a Vice President of its managing member, and (ii) by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, or by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of its managing member, and delivered to the Trustee; provided, however, that such written request or order may be signed by any two of the officers or directors listed in clause (i) above in lieu of being signed by one of such officers or directors listed in such clause (i) and one of the officers listed in clause (ii) above.

"Maturity" means, with respect to any Security, the date on which any principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Make-Whole Premium" has the meaning provided in Section 3.01.

"Non-U.S. Person" means a person who is not a U.S. Person.

"Note Issuers" means the parties named as such in the first paragraph of this Indenture until a successor or successors replace them pursuant to Article Five of this Indenture and thereafter means the successor or successors.

"Officer" means (i) the Chairman of the Board, the Vice Chairman of the Board,

the President, any Vice President or the Chief Financial Officer of the applicable Person or such Person's managing member, and (ii) the Treasurer or any Assistant Treasurer, or the Secretary or any Assistant Secretary of the applicable Person or such Person's managing member; provided, however, that Officer may also mean any two of the Persons listed in clause (i) above.

"Officers' Certificate" means a certificate signed by one Officer listed in clause (i) of the definition thereof and one Officer listed in clause (ii) of the definition thereof; provided, however, that any such certificate may be signed by any two of the Officers listed in clause (i) of the definition thereof in lieu of being signed by one Officer listed in clause (i) of the definition thereof and one Officer listed in clause (ii) of the definition thereof. Each Officers' Certificate (other than certificates provided pursuant to TIA Section 314(a)(4)) shall include the statements provided for in TIA Section 314(e).

"Offshore Global Security" has the meaning provided in Section 2.01.

"Opinion of Counsel" means, with respect to any Person, a written opinion signed by legal counsel who may be an employee of or counsel to such Person. Each such Opinion of Counsel shall include the statements provided for in TIA Section 314(e).

"Paying Agent" has the meaning provided in Section 2.04, except that, for the purposes of Article Eight, the Paying Agent shall not be any of the Issuers or a Subsidiary of the Issuers or an Affiliate of any of them. The term "Paying Agent" includes any additional Paying Agent.

"Parent Guarantee" means the Guarantor's unconditional guarantee of the payment of the Notes as more fully described in Article Ten.

"Permanent Offshore Global Security" has the meaning provided in Section 2.01.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal" of a debt security, including the Securities, means the principal amount due on the Stated Maturity as shown on such debt security.

"Private Placement Legend" means the legend initially set forth on the Securities in the form set forth in Section 2.02.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Redemption Date" means, when used with respect to any Security to be redeemed, the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Security to be redeemed, has

the meaning provided in Section 3.01.

"Registrar" has the meaning provided in Section 2.04.

"Registration Rights Agreement" means the Exchange and Registration Rights Agreement, dated April 17, 1998, between the Issuers and the Initial Purchasers.

"Registration Statement" means the Registration Statement as defined and described in the Registration Rights Agreement.

"Regular Record Date" for the interest payable on any Interest Payment Date means the March 15 or September 15 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act.

"Regulation S Certificate" has the meaning provided in Section 2.01.

"Release Date" has the meaning provided in Section 2.01.

"Responsible Officer," (i) when used with respect to any Person or such Person's managing member other than the Trustee, means any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer and any assistant treasurer and (ii) when used with respect to the Trustee, means any vice president, any assistant vice president, any secretary, any assistant secretary, the treasurer, any assistant treasurer and any trust officer or assistant trust officer employed in the conduct of the Trustee's corporate trust business, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Period" means the 40-day restricted period as defined in Regulation S.

"Rule 144A" means Rule 144A under the Securities Act.

"Securities" means any of the Notes referred to in the first paragraph of the recitals hereof, together with the guarantee thereof, that are authenticated and delivered under this Indenture. For all purposes of this Indenture, all Initial Notes and Exchange Notes shall vote together as one series of Securities under this Indenture.

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

"Security Register" has the meaning provided in Section 2.04.

"Shelf Registration Statement" means the Shelf Registration Statement as defined

and described in the Registration Rights Agreement.

"Stated Maturity" means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

"Subsidiary" means, with respect to any Person, any other Person a majority of the equity ownership or Voting Stock of which is at the time owned, directly or indirectly, by such Person or by one or more other Subsidiaries or by such Person and one or more other Subsidiaries.

"Temporary Offshore Global Security" has the meaning provided in Section 2.01.

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

"Treasury Rate" has the meaning provided in Section 3.01.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor replaces it in accordance with the provisions of Article Seven of this Indenture and thereafter means such successor.

"United States Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended and as codified in Title 11 of the United States Code, as amended from time to time hereafter, or any successor federal bankruptcy law.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Securities, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"U.S. Person" has the meaning ascribed thereto in Rule 902 under the Securities

Act.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

SECTION 1.02. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings: "indenture securities" means the Securities; "indenture security holder" means a Holder or a Securityholder; "indenture to be qualified" means this Indenture; "indenture trustee" or "institutional trustee" means the Trustee; and "obligor" on the indenture securities means the Issuers or any other obligor on the Securities. All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by a rule of the Commission and not otherwise defined herein have the meanings assigned to them therein.

SECTION 1.03. Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP:

(iii) "or" is not exclusive;

(iv) words in the singular include the plural, and words in the plural include the singular;

(v) provisions apply to successive events and transactions;

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

(vii) all references to Sections or Articles refer to Sections or Articles of this Indenture unless otherwise indicated.

ARTICLE TWO

THE SECURITIES

SECTION 2.01. Form and Dating. The Initial Notes, the Guarantor's guarantee thereof, and the Trustee's certificate of authentication shall be substantially in the form annexed hereto as Exhibit A. Any Exchange Notes, the Guarantor's guarantee thereof, and the Trustee's certificate of authentication shall be substantially in the form annexed hereto as Exhibit B. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuers are subject, if any, or usage. The Issuers shall approve the form of the Securities and any notation, legend or endorsement on the Securities. Each Security shall be dated the date of its authentication.

The terms and provisions contained in the forms of the Securities annexed hereto as Exhibit A and Exhibit B shall constitute, and are hereby expressly made, a part of this Indenture. Each of the Issuers and the Trustee, by its execution and delivery of this Indenture, expressly agrees to the terms and provisions of the Securities applicable to it and to be bound thereby.

Initial Notes offered and sold to QIBs pursuant to Rule 144A shall be issued in the form of one or more permanent global notes in definitive, fully registered form, without interest coupons, substantially in the form set forth in Exhibit A (the "U.S. Global Security"), deposited with the Trustee, as custodian for the Depositary, and registered in the name of Cede & Co., as nominee of the Depositary, or remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between the Depositary and the Trustee. The U.S. Global Security will be duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the U.S. Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, as hereinafter provided.

Initial Notes offered and sold in offshore transactions to Non-U.S. Persons in reliance on Regulation S shall be issued in the form of one or more temporary global notes in registered form, without interest coupons, substantially in the form set forth in Exhibit A (the "Temporary Offshore Global Security"), deposited with the Trustee, as custodian for the Depositary, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. Beneficial interests in the Temporary Offshore Global Security will be exchanged for beneficial interests in a corresponding single permanent global note in registered form (the "Permanent Offshore Global Security," and together with the Temporary Offshore Global Security, the "Offshore Global Security") within a reasonable period after the expiration of the Restricted Period (the "Release Date") upon the receipt by the Trustee or its agent of a certificate certifying that the Holders of the beneficial interests in the Temporary Offshore Global Security are non-U.S. Persons within the meaning of Regulation S or U.S. Persons who purchased such interests pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act (a "Regulation S Certificate"), substantially in the form set forth in Exhibit C. Upon receipt by the Trustee or Paying Agent of a Regulation S Certificate, (i) with respect to the first such Regulation S Certificate, the Issuers shall execute and upon receipt

of an Issuer Order for authentication, the Trustee shall authenticate and deliver to the custodian, the applicable Permanent Offshore Global Security and (ii) with respect to the first and all subsequent Regulation S Certificates, the custodian shall exchange on behalf of the applicable beneficial owners the portion of the applicable Temporary Offshore Global Security covered by such Regulation S Certificates for a comparable portion of the applicable Permanent Offshore Global Security. Upon any exchange of a portion of a Temporary Offshore Global Security for a comparable portion of a Permanent Offshore Global Security, the custodian shall endorse on the schedules affixed to each of such Offshore Global Security (or on continuations of such schedules affixed to each of such Offshore Global Security and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the applicable Temporary Offshore Global Security, a decrease in the principal amount thereof equal to the amount covered by the applicable certification and (y) with respect to the applicable Permanent Offshore Global Security, an increase in the principal amount thereof equal to the principal amount of the decrease in the applicable Temporary Offshore Global Security pursuant to clause (x) above. The Offshore Global Security will be deposited with the Trustee, as custodian for the Depositary, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Offshore Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, as hereinafter provided.

Initial Notes which are offered and sold to Institutional Accredited Investors (other than QIBs and Non-U.S. Persons) shall be issued in the form of a permanent global note in registered form, without interest coupons, substantially in the form set forth in Exhibit A (the "IAI Global Security"), deposited with the Trustee, as custodian for the Depositary, duly executed by the Issuers and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the IAI Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depositary or its nominee, as hereinafter provided.

The U.S. Global Security, the Offshore Global Security and the IAI Global Security are sometimes collectively herein referred to as the "Global Securities."

The definitive Securities shall be typed, printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the Officers executing such Securities, as evidenced by their execution of such Securities.

SECTION 2.02. Restrictive Legends.

Unless and until (i) an Initial Note is sold under an effective Registration Statement or (ii) an Initial Note is exchanged for an Exchange Note in connection with an effective Registration Statement, in each case pursuant to the Registration Rights Agreement, the U.S. Global Security and the IAI Global Security shall bear the following legend (the "Private Placement Legend") on

the face thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CALAIR L.L.C. ("CALAIR"), CALAIR CAPITAL CORPORATION ("CALAIR CAPITAL," AND TOGETHER WITH CALAIR, THE "ISSUERS") OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN THE CASE OF ANY OF THE FOREGOING CLAUSES (A) THROUGH (F), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE ISSUERS AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE

RESTRICTION TERMINATION DATE.

The Offshore Global Security shall bear the following legend on the face thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CALAIR L.L.C. ("CALAIR") OR CALAIR CAPITAL CORPORATION ("CALAIR CAPITAL" AND, TOGETHER WITH CALAIR, THE "ISSUERS") OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN THE CASE ANY OF THE FOREGOING CLAUSES (A) THROUGH (F), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE ISSUERS AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND

INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

The Temporary Offshore Global Security shall also bear the following legend on the face thereof:

THIS GLOBAL SECURITY IS A TEMPORARY GLOBAL SECURITY FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT. NEITHER THIS TEMPORARY GLOBAL SECURITY NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL SECURITY SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

The Global Securities, whether or not an Initial Note, shall also bear the following legend on the face thereof:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUERS OR THE ISSUERS' AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER REPRESENTATIVE OF DTC AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.07 AND 2.08 OF THE INDENTURE.

SECTION 2.03. Execution, Authentication and Denominations. An Officer of each of the Note Issuers shall execute the Notes for each of the Note Issuers by

facsimile or manual signature in the name and on behalf of each of the Note Issuers. An Officer of the Guarantor shall endorse the Parent Guarantee included in the Notes by facsimile or manual signature in the name and on behalf of the Guarantor to evidence the Guarantor's Parent Guarantee of the obligations thereunder, and any reference herein to the execution of a Note by the Guarantor shall be interpreted as a reference to such endorsement.

If an Officer whose signature is on a Security held that office at the time of execution of the Security but no longer holds that office at the time the Trustee or authenticating agent authenticates the Security, the Security shall be valid nevertheless. A Security shall not be valid until an authorized signatory of the Trustee or authenticating agent manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee or an authenticating agent shall upon receipt of an Issuer Order authenticate for original issue Initial Notes in the aggregate principal amount of up to $112,300,000 plus any Exchange Notes that may be issued pursuant to the Registration Rights Agreement; provided that the Trustee shall receive an Officers' Certificate and an Opinion of Counsel of the Issuers in connection with such authentication of Securities. The Opinion of Counsel shall be substantially to the effect that:

(a) the form of such Securities is in conformity with the provisions of this Indenture;

(b) an indenture supplemental hereto, if any, when executed and delivered by the Issuers and the Trustee, will constitute a valid and binding obligation of each Issuer;

(c) such Notes, when authenticated and delivered by the Trustee and issued by the Note Issuers in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of each Note Issuer in accordance with their terms and will be entitled to the benefits of this Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equitable principles;

(d) the Parent Guarantee on such Notes, when executed by the Guarantor in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute a valid and binding obligation of the Guarantor in accordance with its terms and will be entitled to the benefits of this Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equitable principles; and

(e) that each Issuer has been duly incorporated in, and is a validly existing corporation or limited liability company in good standing under the laws of, the State of Delaware.

Such Issuer Order shall specify the amount of Securities to be authenticated and

the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed the amount set forth above except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 2.06, 2.09 or 2.11.

The Trustee may appoint an authenticating agent to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such authenticating agent. An authenticating agent has the same rights as an Agent to deal with the Issuers or an Affiliate of any of the Issuers.

The Securities shall be issuable only in registered form without interest coupons and only in denominations of $1,000 in principal amount and any integral multiple of $1,000 in excess thereof.

SECTION 2.04. Registrar and Paying Agent.

The Issuers shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar"), an office or agency where Securities may be presented for payment (the "Paying Agent") and an office or agency where notices and demands to or upon the Issuers in respect of the Securities and this Indenture may be served, which shall be in the Borough of Manhattan, The City of New York; provided, however that at the option of the Note Issuers, interest may be paid by check mailed to the address of the Person entitled thereto as such address shall appear on the Security Register (as defined below). The Issuers shall cause the Registrar to keep a register of the Securities and of their transfer and exchange (the "Security Register"). The Issuers may have one or more co-Registrars and one or more additional Paying Agents.

The Issuers shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Issuers shall give prompt written notice to the Trustee of the name and address of any such Agent and any change in the address of such Agent. If the Issuers fail to maintain a Registrar, Paying Agent and/or agent for service of notices and demands, the Trustee shall act as such Registrar, Paying Agent and/or agent for service of notices and demands for so long as such failure shall continue and shall be entitled to compensation therefor pursuant to Section 7.07. The Issuers may remove any Agent upon written notice to such Agent and the Trustee; provided that no such removal shall become effective until (i) the acceptance of an appointment by a successor Agent to such Agent as evidenced by an appropriate agency agreement entered into by the Issuers and such successor Agent and delivered to the Trustee or (ii) notification to the Trustee that the Trustee shall serve as such Agent until the appointment of a successor Agent in accordance with clause (i) of this proviso. The Issuers, any Subsidiary of the Issuers, or any Affiliate of any of them may act as Paying Agent, Registrar or co-Registrar, and/or agent for service of notice and demands; provided, however, that neither the Issuers, a Subsidiary of the Issuers nor an Affiliate of any of them shall act as Paying Agent in connection

with the defeasance of the Securities or the discharge of this Indenture under Article Eight.

The Issuers initially appoint the Trustee as Registrar, Paying Agent, authenticating agent and agent for service of notice and demands. If, at any time, the Trustee is not the Registrar, the Registrar shall make available to the Trustee before each Interest Payment Date and at such other times as the Trustee may reasonably request, the names and addresses of the Holders as they appear in the Security Register.

SECTION 2.05. Paying Agent to Hold Money in Trust. Not later than 12:30 p.m. New York City time on each due date of the principal, premium, if any, and interest on any Securities, the Note Issuers or the Guarantor, as the case may be, shall deposit with the Paying Agent money in immediately available funds sufficient to pay such principal, premium, if any, and interest so becoming due. The Note Issuers or the Guarantor, as the case may be, shall require each Paying Agent, if any, other than the Trustee to agree in writing that such Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest on the Securities (whether such money has been paid to it by the Note Issuers or the Guarantor, as the case may be, or any other obligor on the Securities), and that such Paying Agent shall promptly notify the Trustee in writing of any default by the Note Issuers or the Guarantor, as the case may be, (or any other obligor on the Securities) in making any such payment. The Note Issuers or the Guarantor, as the case may be, at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require such Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee. If the Note Issuers or the Guarantor, as the case may be, or any Subsidiary of the Note Issuers, the Guarantor or any Affiliate of any of them acts as Paying Agent, it will, on or before each due date of any principal of, premium, if any, or interest on the Securities, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such principal, premium, if any, or interest so becoming due until such sum of money shall be paid to such Holders or otherwise disposed of as provided in this Indenture, and will promptly notify the Trustee in writing of its action or failure to act as required by this Section 2.05.

SECTION 2.06. Transfer and Exchange. The Securities are issuable only in registered form. A Holder may transfer a Security by written application to the Registrar stating the name of the proposed transferee and otherwise complying with the terms of this Indenture. No such transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, registration of the transfer by the Registrar in the Security Register. Prior to the registration of any transfer by a Holder as provided herein, the Issuers, the Trustee, and any agent of the Issuers or the Trustee shall treat the person in whose name the Security is registered as the owner thereof for all purposes whether or not the Security shall be overdue, and neither the Issuers, the Trustee, nor any such agent shall

be affected by notice to the contrary. Furthermore, any Holder of or beneficial owner of an interest in a Global Security shall, by acceptance of such Global Security, be deemed to have agreed that transfers of beneficial interests in such Global Security may be effected only through a book-entry system maintained by the Depositary (or its agent), and that ownership of a beneficial interest in the Security shall be required to be reflected in a book entry. When Securities are presented to the Registrar or a co-Registrar with a request to register the transfer or to exchange them for an equal principal amount of Securities of other authorized denominations (including on exchange of Securities for Exchange Securities), the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided that no exchanges of Securities for Exchange Securities shall occur until a Registration Statement shall have been declared effective by the Commission and that any Securities that are exchanged for Exchange Notes shall be cancelled by the Trustee. To permit registrations of transfers and exchanges in accordance with the terms, conditions and restrictions hereof, the Issuers shall execute and the Trustee shall authenticate Securities at the Registrar's request. No service charge shall be made to any Holder for any registration of transfer or exchange or redemption of the Securities, but the Issuers may require payment by the Holder of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or other similar governmental charge payable upon transfers, exchanges or redemptions pursuant to Section 2.11, 3.08, or 9.04).

The Registrar shall not be required (i) to issue, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 3.03 or Section 3.08 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

SECTION 2.07. Book-Entry Provisions for Global Securities. (a) The U.S. Global Security and Offshore Global Security initially shall (i) be registered in the name of the Depositary for such Global Securities or in the name of Cede & Co., as nominee of the Depositary, (ii) be delivered to the Trustee as custodian for such Depositary and (iii) bear legends as set forth in Section 2.02. Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee as its custodian, or under any Global Security, and the Depositary may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a beneficial owner of any Security.

(b) Transfers of a Global Security shall be limited to transfers of such Global

Security in whole, but not in part, to the Depositary, its successors or their respective nominees. Interests of beneficial owners in a Global Security may be transferred in accordance with the applicable rules and procedures of the Depositary and the provisions of Section 2.08. Securities in definitive form ("Certificated Securities") shall be issued to each Person that the Depositary identifies as the beneficial owner of the Securities represented by a Global Security, if (i) the Issuers notify the Trustee in writing that the Depository is no longer willing or able to act as Depositary for each Global Security or the Depositary ceases to be registered as a clearing agency under the Exchange Act and a successor depositary is not appointed by the Issuers within 90 days of such notice or cessation, (ii) the Issuers execute and deliver to the Trustee an Officers' Certificate stating that they elect to cause the issuance of Securities in definitive form under this Indenture or (iii) an Event of Default has occurred and is continuing and the Registrar has received a request to the foregoing effect from the Depositary.

(c) Any beneficial interest in one of the Global Securities that is transferred to a Person who takes delivery in the form of an interest in any other Global Security will, upon transfer, cease to be an interest in such Global Security and become an interest in such other Global Security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Security for as long as it remains such an interest.

(d) In connection with any transfer pursuant to paragraph (b) of this Section 2.07 of a portion of the beneficial interests in a Global Security to beneficial owners who are required to hold Certificated Securities, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Global Security in an amount equal to the principal amount of the beneficial interest in the Global Security to be transferred, and the Issuers shall execute, and the Trustee shall authenticate and deliver, one or more Certificated Securities of like tenor and amount.

(e) In connection with the transfer of an entire Global Security to beneficial owners pursuant to paragraph (b) of this Section 2.07, the Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Issuers shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in the Global Security an equal aggregate principal amount of Certificated Securities of authorized denominations.

(f) Any Certificated Security delivered in exchange for an interest in the U.S. Global Security pursuant to paragraph (d) or (e) of this Section 2.07 shall, except as otherwise provided by paragraph (c) of Section 2.08, bear the legend regarding transfer restrictions applicable to the Certificated Security set forth in Section 2.02.

(g) The registered holder of a Global Security may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

SECTION 2.08. Special Transfer Provisions. (a) The following provisions shall apply with respect to any proposed transfer of a U.S. Global Security or an IAI Global Security or a beneficial interest therein prior to the expiration of the Resale Restriction Termination Date (as defined in Section 2.02 hereof):

(i) a transfer of a U.S. Global Security or an IAI Global Security or a beneficial interest therein to a QIB (as defined herein) shall be made upon the representation of the transferee that it is purchasing the Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) a transfer of a U.S. Global Security or an IAI Global Security or a beneficial interest therein to an institutional accredited investor shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Exhibit D hereof from the proposed transferee and, if requested by the Issuers or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them; and

(iii) a transfer of a U.S. Global Security or an IAI Global Security or a beneficial interest therein to a Non-U.S. Person shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Exhibit E hereof from the proposed transferee and, if requested by the Issuers or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

(b) The following provisions shall apply with respect to any proposed transfer of an Offshore Global Security or a beneficial interest therein or a Certificated Security prior to the expiration of the Restricted Period:

(i) a transfer of the Offshore Global Security or a beneficial interest therein or a Certificated Security to a QIB shall be made upon the representation of the transferee that it is purchasing the Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) a transfer of the Offshore Global Security or a beneficial interest therein or a Certificated Security to an institutional accredited investor shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Exhibit D hereof from the proposed transferee and, if requested by the Issuers or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them; and

(iii) a transfer of the Offshore Global Security or a beneficial interest therein or a Certificated Security to a Non-U.S. Person shall be made upon, if requested by the Issuers or the Trustee, receipt by the Trustee or its agent of an opinion of counsel, certification and/or other information satisfactory to each of them.

Prior to or on the expiration of the Restricted Period, beneficial interests in the Offshore Global Security may only be held through Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System ("Euroclear"), or Cedel Bank, societe anonyme ("Cedel") (as indirect participants in DTC) unless exchanged for interests in the U.S. Global Security or the IAI Global Security in accordance with the transfer and certification requirements hereof. During the Restricted Period, interests in the Offshore Global Security, if any, may be exchanged for interests in the U.S. Global Security, the IAI Global Security or for Certificated Securities only in accordance with the certification requirements described in this Article Two.

After the expiration of the Restricted Period, interests in the Offshore Global Security or a Certificated Security may be transferred without requiring certification set forth in Exhibit D or any additional certification.

(c) Private Placement Legend. Upon the transfer, exchange or replacement of Securities not bearing the Private Placement Legend, the Registrar shall deliver Securities that do not bear the Private Placement Legend. Upon the transfer, exchange or replacement of Securities bearing the Private Placement Legend, the Registrar shall deliver only Securities that bear the Private Placement Legend unless there is delivered to the Registrar an Opinion of Counsel reasonably satisfactory to the Issuers and the Trustee to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of

the Securities Act.

(d) General. By its acceptance of any Securities bearing the Private Placement Legend, each Holder of such a Security acknowledges the restrictions on transfer of such Securities set forth in this Indenture and in the Private Placement Legend and agrees that it will transfer such Note only as provided in this Indenture. The Registrar shall not register a transfer of any Security unless such transfer complies with the restrictions on transfer set forth in this Indenture.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.07 or this Section 2.08. The Issuers shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(e) ERISA. The following provision shall apply with respect to any proposed transfer of a Global Security or a beneficial interest therein or a Certificated Security:

a transfer of a Global Security or a beneficial interest therein or a Certificated Security to any transferee thereof shall be made upon the representation of the transferee that (i) if it is an insurance company, the funds to be used to purchase the Notes by it constitute (x) assets of an insurance company general account maintained by it and the acquisition and holding of each such Note by such account satisfies the requirements of United States Department of Labor Prohibited Transaction Class Exemption ("PTCE") 95-60 or (y) assets of an insurance company pooled separate account satisfying the conditions of PTCE 90-1, and (ii) if it is not an insurance company, no part of the funds to be used to purchase the Notes to be purchased by it constitute assets of any trust or other entity which contains, or is deemed to contain, the assets of any employee benefit plan such that the use of such assets constitutes a non-exempt prohibited transaction under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As used in this paragraph, the term "employee benefit plan" shall have the meaning assigned to such term in Section 3 of ERISA.

(f) No Obligation of the Trustee. (i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depositary or other Person with respect to any ownership interest in the Securities, with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely and shall be fully protected and indemnified pursuant to Section 7.07 in relying upon information furnished by the Depositary with respect to

any beneficial owners, its members and participants.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including without limitation any transfers between or among Depository participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation of evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.09. Replacement Securities. If a mutilated Security is surrendered to the Trustee or if the Holder claims that the Security has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee shall authenticate a replacement Security of like tenor and principal amount and bearing a number not contemporaneously outstanding; provided that the requirements of the second paragraph of Section 2.10 are met. If required by the Trustee or the Issuers, an indemnity bond must be furnished that is sufficient in the judgment of the Trustee to protect the Issuers, the Trustee or any Agent from any loss that any of them may suffer if a Security is replaced. The Issuers may charge such Holder for their expenses and the expenses of the Trustee in replacing a Security. In case any such mutilated, lost, destroyed or wrongfully taken Security has become or is about to become due and payable, the Issuers in their discretion may pay the principal of, premium, if any, and interest accrued on such Security instead of issuing a new Security in replacement thereof.

If, after the delivery of such replacement Security, a bona fide purchaser of the original Security in lieu of which such replacement Security was issued presents for payment or registration such original Security, the Trustee shall be entitled to recover such replacement Security from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee, the Issuers or any Agent in connection therewith.

Every replacement Security is an additional obligation of the Issuers and shall be entitled to the benefits of this Indenture.

SECTION 2.10. Outstanding Securities. Securities outstanding at any time are all Securities that have been authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation and those described in this Section 2.10 as not outstanding.

If a Security is replaced pursuant to Section 2.09, it ceases to be outstanding unless and until the Trustee and the Issuers receive proof satisfactory to them that the replaced

Security is held by a bona fide purchaser.

If the Paying Agent (other than an Issuer or an Affiliate of an Issuer) holds on the maturity date money sufficient to pay the principal of, premium, if any, and interest accrued on Securities payable on that date, then on and after that date such Securities cease to be outstanding and interest on them shall cease to accrue.

A Security does not cease to be outstanding because an Issuer or one of its Affiliates holds such Security, provided, however, that, in determining whether the Holders of the requisite principal amount of the outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by an Issuer or any other obligor upon the Securities or any Affiliate of an Issuer or of such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not an Issuer or any other obligor upon the Securities or any Affiliate of an Issuer or of such other obligor.

SECTION 2.11. Temporary Securities. Until definitive Securities are ready for delivery, the Issuers may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officers executing the temporary Securities, as evidenced by their execution of such temporary Securities. If temporary Securities are issued, the Issuers will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Issuers designated for such purpose pursuant to Section 4.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Issuers shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged, the temporary Securities shall be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.12. Cancellation. A Note Issuer at any time may deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which a Note Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Note Issuers have not issued and sold. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for transfer, exchange,

payment or cancellation and shall dispose of them in accordance with its normal procedure. The Note Issuers shall not issue new Securities to replace Securities they have paid in full or delivered to the Trustee for cancellation.

SECTION 2.13. CUSIP, CINS and ISIN Numbers. The Note Issuers in issuing the Securities may use "CUSIP," "CINS," "ISIN" or other identification numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers, CINS numbers, ISIN numbers or other identification numbers, as the case may be, in notices of redemption or exchange as a convenience to Holders; provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or exchange and that reliance may be placed only on the other identification numbers printed on the Securities; provided further that failure to use "CUSIP," "CINS," "ISIN" or other identification numbers in any notice of redemption or exchange shall not effect the validity or sufficiency of such notice.

SECTION 2.14. Defaulted Interest. If the Issuers default in a payment of interest on the Securities, they shall pay, or shall deposit with the Paying Agent money in immediately available funds sufficient to pay the defaulted interest, plus (to the extent lawful) any interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date. A special record date, as used in this Section 2.14 with respect to the payment of any defaulted interest, shall mean the 15th day next preceding the date fixed by the Issuers for the payment of defaulted interest, whether or not such day is a Business Day. At least 15 days before the subsequent special record date, the Issuers shall mail to each Holder and to the Trustee a notice that states the subsequent special record date, the payment date and the amount of defaulted interest to be paid.

ARTICLE THREE

REDEMPTION

SECTION 3.01. Right of Redemption. The Note Issuers may, at their option at any time and from time to time, redeem Securities, in whole or in part, at a redemption price equal to the sum of (i) the principal amount thereof on the Redemption Date, plus (ii) accrued and unpaid interest thereon, if any, to the Redemption Date, plus (iii) the Make-Whole Premium, if any, with respect thereto (the "Redemption Price"). "Make-Whole Premium" means, with respect to any Security, the excess, if any, of (A) the present value of the required interest and principal payments due on such Security on or after the Redemption Date, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (B) the sum of the then outstanding principal amount of such Security plus the accrued and unpaid interest thereon, if any, paid on the Redemption Date. "Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a

constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining Average Life of the Securities; provided, however, that if the Average Life of the Securities is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Average Life of the Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

SECTION 3.02. Notices to Trustee. If the Note Issuers elect to redeem Securities pursuant to Section 3.01, they shall notify the Trustee and the Depositary in writing of the Redemption Date and the amount of Securities to be redeemed. The Note Issuers shall give each notice provided for in this Section 3.02 in an Officers' Certificate at least ten days before mailing the notice to Holders required pursuant to Section 3.04 (unless a shorter period shall be satisfactory to the Trustee).

SECTION 3.03. Selection of Securities to Be Redeemed. In the case of any partial redemption, selection of the Securities for redemption will be made by the Trustee not more than 60 days prior to the Redemption Date in compliance with the requirements of the principal national securities exchange, if any, on which the Securities are listed or, if the Securities are not listed on a national securities exchange, pro rata or by lot or by such other method as the Trustee shall deem fair and appropriate; provided that no Security of $1,000 in principal amount or less shall be redeemed in part.

The Trustee shall make the selection from the Securities outstanding and not previously called for redemption. Securities in denominations of $1,000 in principal amount may only be redeemed in whole. The Trustee may select for redemption portions (equal to $1,000 in principal amount or any integral multiple thereof) of Securities that have denominations larger than $1,000 in principal amount . Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Note Issuers and the Registrar promptly in writing of the Securities or portions of Securities to be called for redemption.

SECTION 3.04. Notice of Redemption. With respect to any redemption of Securities pursuant to Section 3.01, at least 20 days but not more than 60 days before a Redemption Date, the Note Issuers shall mail a notice of redemption by first class mail, postage pre-paid, to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities to be redeemed and shall state:

(a) the Redemption Date;

(b) the Redemption Price;

(c) the name and address of the Paying Agent;

(d) that Securities called for redemption must be surrendered to the Paying Agent in order to collect the Redemption Price;

(e) that, unless the Issuers default in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price upon surrender of the Securities to the Paying Agent;

(f) if any Security is being redeemed in part, the portion of the principal amount (equal to $1,000 in principal amount or any integral multiple thereof) of such Security to be redeemed and that, on and after the Redemption Date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion thereof will be reissued; and

(g) that, if any Security contains a CUSIP, CINS, ISIN or other identification number as provided in Section 2.13, no representation is being made as to the correctness of the CUSIP, CINS, ISIN or other identification number either as printed on the Securities or as contained in the notice of redemption and that reliance may be placed only on the other identification numbers printed on the Securities. At the Note Issuers' request (which request may be revoked by the Note Issuers at any time prior to the time at which the Trustee shall have given such notice to the Holders), made in writing to the Trustee at least ten days before it is required to mail the notice to Holders required by this Section 3.04, the Trustee shall give such notice of redemption in the name and at the expense of the Note Issuers. If, however, the Note Issuers give such notice to the Holders, the Note Issuers shall concurrently deliver to the Trustee an Officers' Certificate stating that such notice has been given.

SECTION 3.05. Effect of Notice of Redemption. Once notice of redemption is mailed, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon surrender of any Securities to the Paying Agent, such Securities shall be paid at the Redemption Price. Notice of redemption shall be deemed to be given when mailed, whether or not the Holder receives the notice. In any event, failure to give such notice, or any defect herein, shall not affect the validity of the proceedings for the redemption to whom such notice was properly given.

SECTION 3.06. Deposit of Redemption Price. On or prior to 10:00 A.M. New York City time on any Redemption Date, the Note Issuers shall deposit with the Paying Agent (or, if the Note Issuers are acting as their own Paying Agent, shall

segregate and hold in trust as provided in Section 2.05) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions thereof called for redemption on that date that have been delivered by the Note Issuers to the Trustee for cancellation.

SECTION 3.07. Payment of Securities Called for Redemption. If notice of redemption has been given in the manner provided above, the Securities or portion of Securities specified in such notice to be redeemed shall become due and payable on the Redemption Date at the Redemption Price stated therein, and on and after such date (unless the Issuers shall default in the payment of such Securities at the Redemption Price, in which case the principal, until paid, shall bear interest from the Redemption Date at the rate prescribed in the Securities), such Securities shall cease to accrue interest. Upon surrender of any Security for redemption in accordance with a notice of redemption, such Security shall be paid and redeemed by the Note Issuers at the Redemption Price; provided that installments of interest shall be payable to the Holders registered as such at the close of business on the relevant Regular Record Date that is on or prior to the Redemption Date.

SECTION 3.08. Securities Redeemed in Part. Upon surrender of any Security that is redeemed in part, the Issuers shall execute and the Trustee shall authenticate and deliver to the Holder a new Security equal in principal amount to the unredeemed portion of such surrendered Security.

ARTICLE FOUR

COVENANTS

SECTION 4.01. Payment of Securities. The Note Issuers, as joint and several obligors, shall pay the principal of, premium, if any, and interest, including additional interest, if any, as provided in the Registration Rights Agreement, on the Securities on the dates and in the manner provided in the Securities and this Indenture. An installment of principal, premium, if any, or interest shall be considered paid on the date due if the Trustee or Paying Agent (other than any Issuer, a Subsidiary of any Issuer, or any Affiliate of any of them) holds on that date money designated for and sufficient to pay the installment. If any Issuer or any Subsidiary of any Issuer or any Affiliate of any of them, acts as Paying Agent, an installment of principal, premium, if any, or interest shall be considered paid on the due date if the entity acting as Paying Agent complies with the last sentence of Section 2.05. As provided in Section 6.09, upon any bankruptcy or reorganization procedure relative to the Note Issuers, the Trustee shall serve as the Paying Agent for the Securities. The Note Issuers, as joint and several obligors, shall pay interest on overdue principal, premium, if any, and interest on overdue installments of interest, to the extent lawful, at the rate per annum specified in the Securities.

SECTION 4.02. Maintenance of Office or Agency. The Note Issuers shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee, Registrar or co-Registrar or any Affiliate of any of them) where Securities may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Issuers in respect of the Securities and this Indenture may be served. The Note Issuers shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Note Issuers shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or serviced at the address of the Trustee set forth in Section 11.02.

SECTION 4.03. Reports. The Guarantor shall file on a timely basis with the Commission, to the extent such filings are accepted by the Commission and whether or not the Guarantor has a class of securities registered under the Exchange Act, the annual reports, quarterly reports and other documents that the Guarantor would be required to file if it were subject to Section 13 or 15 of the Exchange Act. The Guarantor shall also (a) file with the Trustee copies of such reports and documents within 15 days after the date on which the Guarantor files such reports and documents with the Commission or the date on which the Guarantor would be required to file such reports and documents if the Guarantor were so required, and (b) if filing such reports and documents with the Commission is not accepted by the Commission or is prohibited under the Exchange Act, supply at Calair's cost copies of such reports and documents to any Holder of Securities promptly upon written request.

SECTION 4.04. Compliance Certificates. (a) Each Issuer shall deliver to the Trustee, within 90 days after the end of its fiscal year, an Officers' Certificate stating whether or not the signers know if any Default or Event of Default has occurred during such fiscal year. Such certificates shall contain a certification from the principal executive officer, principal financial officer or principal accounting officer of each Issuer that a review has been conducted of the activities of such Issuer and such Issuer's performance under this Indenture and that, to the best knowledge of such officer, such Issuer has complied with all conditions and covenants under this Indenture. For purposes of this Section 4.04, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture. If any such officer knows of a Default or Event of Default, the certificate shall describe any such Default or Event of Default and its status.

(b) Each Issuer shall deliver to the Trustee, within 90 days after the end of its fiscal year, a certificate signed by such Issuer's independent certified public accountants stating (i) that their audit examination has included a review of the terms of the Indenture and the Securities as they relate to accounting matters, (ii) that they have read the most recent Officers' Certificate delivered to the Trustee pursuant to paragraph (a) of this Section 4.04 and (iii)

whether, in connection with their audit examination, anything came to their attention that caused them to believe that the Issuers were not in compliance with any of the terms, covenants, provisions or conditions of Article Four and Section 5.01 of this Indenture as they pertain to accounting matters and, if any Default or event of Default related thereto has come to their attention, specifying the nature and period of existence thereof; provided that such independent certified public accountants shall not be liable in respect of such statement by reason of any failure to obtain knowledge of any such Default or Event of Default that would not be disclosed in the course of an audit examination conducted in accordance with generally accepted auditing standards in effect at the date of such examination.

(c) The Issuers shall notify the Trustee in writing within five Business Days if any Responsible Officer of any Issuer acquires actual knowledge of an Event of Default.

SECTION 4.05. Rule 144(d)(4) Information. While any Securities remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each Note Issuer will make available, upon the request of any Holder or a prospective purchaser thereof designated by such Holder, such information as is specified in paragraph (d)(4) of Rule 144A, to such holder or prospective purchaser, in order to permit compliance by such holder with Rule 144A in connection with the resale of such Security by such holder unless, at the time of such request, the applicable Note Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

ARTICLE FIVE

SUCCESSOR CORPORATION

SECTION 5.01. Consolidation, Merger and Sale of Assets by the Issuers. None of the Issuers will, in a single transaction or through a series of transactions, consolidate with or merge with or into any other Person, or permit any Person to consolidate with or merge into such Issuer, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any other Person or Persons if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of such Issuer and its Subsidiaries on a consolidated basis to any other Person or group of affiliated Persons, unless at the time and immediately after giving effect thereto (i) either (a) such Issuer will be the continuing corporation (or, in the case of Calair, the continuing limited liability company or the continuing corporation) or (b) the Person (if other than such Issuer) formed by such consolidation or into which such Issuer is merged or the Person or group of affiliated Persons that acquire by sale, assignment, conveyance, transfer, lease or disposition all or substantially all the properties and assets of such Issuer and its Subsidiaries on a consolidated basis (the "Surviving Entity") (1) will be a corporation (or, in the case of the successor to Calair, a limited liability company or a corporation) duly organized and validly existing under the laws of the United States of America,

any state thereof or the District of Columbia and (2) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, such Note Issuer's obligation for the due and punctual payment of the principal of, premium, if any, and interest on all the Securities or the Guarantor's obligations under the Parent Guarantee, as the case may be, and the performance and observance of every covenant of this Indenture on the part of such Issuer to be performed or observed and (ii) immediately before and immediately after giving effect to such transaction or series of transactions, no Event of Default will have occurred and be continuing. Notwithstanding anything to the contrary contained in this paragraph, Calair Capital shall not merge into or consolidate with any entity if, as a result thereof, no Note Issuer will be a corporation.

In connection with any such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, such Issuer or the Surviving Entity shall deliver to the Trustee, in form and substance reasonably satisfactory to the Trustee, (A) an Opinion of Counsel stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of this Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; and (B) an Opinion of Counsel stating (i) that the obligations of the Guarantor under this Indenture remain enforceable, or, in the case of a consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition by the Guarantor in which the Guarantor is not the Surviving Entity, that the Surviving Entity has directly assumed as obligor the obligations of the Guarantor under this Indenture and the obligations of the Surviving Person as the new guarantor under this Indenture are enforceable, or (ii) in the case of consolidation or a merger by a Note Issuer with, or sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of such Note Issuers' properties and assets to, the Guarantor, that the Guarantor has directly assumed as obligor the obligations of such Note Issuer under this Indenture.

SECTION 5.02. Successor Substituted. Upon any consolidation or merger, or any sale, conveyance, transfer or other disposition of all or substantially all of the property and assets of any Issuer in accordance with Section 5.01 of this Indenture, the successor Person formed by such consolidation or merger or to which such sale, conveyance, transfer or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer with the same effect as if such successor Person had been named as a Note Issuer or Guarantor, as the case may be, herein.

ARTICLE SIX

DEFAULT AND REMEDIES

SECTION 6.01. Events of Default. An "Event of Default" shall occur with respect to the Securities if any of the following shall

occur:

(a) default in the payment of any installment of interest on any Security when it becomes due and payable and continuance of such default for a period of 30 days;

(b) default in the payment of the principal of or premium, if any, on any Security at its Maturity (upon acceleration, optional redemption, required purchase or otherwise);

(c) default in the performance, or breach, of the provisions of Section 5.01;

(d) default in the performance, or breach, of any covenant of the Issuers contained in this Indenture (other than a default in the performance, or breach, of a covenant which is specifically dealt with in clause (a), (b) or (c) above) and continuance of such default or breach for a period of 60 days after written notice shall have been given to the Issuers by the Trustee or to the Issuers and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities then outstanding;

(e) the Parent Guarantee shall for any reason cease to be, or shall be asserted in writing by any Issuer not to be, enforceable in accordance with its terms and the terms of this Indenture;

(f) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of any Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any Issuer or for all or substantially all of the property and assets of any Issuer or (C) the winding up or liquidation of the affairs of any Issuer and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(g) any Issuer (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, consents to the entry of an order for relief in an involuntary case under any such law, or commences a voluntary dissolution, winding up or liquidation pursuant to its charter, by-laws or other organizational documents or pursuant to applicable law (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any Issuer or for all or substantially all of the property and assets of any Issuer or (C) effects any general assignment for the benefit of creditors.

SECTION 6.02. Acceleration. If an Event of Default (other than an Event of Default specified in clause (f) or (g) of Section 6.01 that occurs with respect to any Issuer) occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding, by written notice to the Issuers (and to the Trustee if such notice is given by the Holders), may, and the Trustee upon the written request of such Holders shall, declare the

principal of, premium, if any, and accrued interest on the Securities to be immediately due and payable. Upon any such declaration of acceleration, such principal of, premium, if any, and accrued interest shall be immediately due and payable. If an Event of Default specified in clause (f) or (g) of Section 6.01 occurs and is continuing, then the principal of, premium, if any, and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration, but before a judgment or decree for the payment of the money due has been obtained by the Trustee, the Holders of at least a majority in aggregate principal amount of the outstanding Securities, by written notice to the Issuers and to the Trustee, may rescind such declaration and its consequences if (a) the Issuers have paid or deposited with the Trustee a sum sufficient to pay (i) all overdue interest on all Securities, (ii) all unpaid principal of and premium, if any, on any outstanding Securities that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Securities, (iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate prescribed therefor by such Securities, (iv) all sums paid or advanced by the Trustee under this Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; (b) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, or interest on the Securities that has become due solely by such declaration of acceleration, have been cured or waived; and (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction. No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 6.03. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, or interest on the Securities, to enforce the performance of any provision of the Securities or this Indenture or to bring actions on behalf of the Holders of the Securities against third parties. The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding.

SECTION 6.04. Waiver of Past Defaults. Subject to Sections 6.02, 6.07 and 9.02, the Holders of at least a majority in aggregate principal amount of the outstanding Securities, by notice to the Trustee, may waive all past Defaults and Events of Default and their consequences (except a Default in the payment of principal of, premium, if any, or interest on any Security as specified in clause (a) or (b) of Section 6.01 or in respect of a covenant or provision of this Indenture which cannot be modified or amended without the consent of the Holder of each outstanding Security affected thereby) if (i) all existing Events of Default, other than the nonpayment of principal of, premium, if any, or interest on the Securities that have become due solely by such declaration of acceleration, have been cured or waived and (ii) the rescission would not conflict with any judgment or decree of a court of

competent jurisdiction. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

SECTION 6.05. Control by Majority. The Holders of at least a majority in aggregate principal amount of the outstanding Securities may, subject to Section 7.02(iv), direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of Securities not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any direction received from Holders of Securities pursuant to this Section 6.05.

SECTION 6.06. Limitation on Suits. A Holder may not pursue any remedy with respect to this Indenture or the Securities unless:

(i) the Holder gives the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of outstanding Securities make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liabilities or expenses which may be incurred in compliance with such request;

(iv) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity; and

(v) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Securities do not give the Trustee a direction that is inconsistent with the request.

For purposes of Section 6.05 and this Section 6.06, the Trustee shall comply with TIA Section 316(a) in making any determination of whether the Holders of the required aggregate principal amount of outstanding Securities have concurred in any request or direction of the Trustee to pursue any remedy available to the Trustee or the Holders with respect to this Indenture or the Securities or otherwise under the law. A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over such other Holder.

SECTION 6.07. Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of the principal of, premium, if any, or interest on such Security, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Security, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. Collection Suit by Trustee. If an Event of Default in payment of principal, premium or interest specified in clause (a) or (b) of Section 6.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor of the Securities for the whole amount of principal, premium, if any, and accrued interest remaining unpaid, together with interest on overdue principal, premium, if any, and, to the extent that payment of such interest is lawful, interest on overdue installments of interest, in each case at the rate specified in the Securities, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07) and the Holders allowed in any judicial proceedings relative to the Issuers (or any other obligor of the Securities), its creditors or its property and shall be entitled and empowered to collect and receive any monies, securities or other property payable or deliverable upon conversion or exchange of the Securities or upon any such claims and to distribute the same, and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee under Section 7.07. Nothing herein contained shall be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. Priorities. If the Trustee collects any money pursuant to this Article Six, it shall pay out the money in the following order:

First: to the Trustee for all amounts due under Section 7.07;

Second: to the Holders for amounts then due and unpaid for principal of, premium, if any, and interest on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium, if any, and interest, respectively; and

Third: to the Issuers or any other obligors of the Securities, as their interests may appear, or as a court of competent jurisdiction may direct. The Trustee, upon prior written notice to the Issuers, may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

SECTION 6.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the outstanding Securities.

SECTION 6.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then, and in every such case, subject to any determination in such proceeding, the Issuers, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Issuers, Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 6.13. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Securities in Section 2.09, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.14. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing

upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article Six or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

ARTICLE SEVEN

TRUSTEE

SECTION 7.01. General. The duties and responsibilities of the Trustee shall be as provided by the TIA and as set forth herein. Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article Seven.

SECTION 7.02. Certain Rights of Trustee. Subject to TIA Sections 315(a) through (d):

(i) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document and may in good faith conclusively rely as to the truth of the statements and the correctness of the opinions therein;

(ii) before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate, opinion and/or an accountants' certificate;

(iii) the Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care;

(iv) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(v) the Trustee shall not be liable for any action it take or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders of a majority in principal amount of

the outstanding Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; provided that the Trustee's conduct does not constitute negligence or bad faith;

(vi) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(vii) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuers personally or by agent or attorney;

(viii) any request or direction of the Issuers mentioned herein shall be sufficiently evidenced by an Issuer Order and any resolution of any Board of Directors may be sufficiently evidenced by a Board Resolution; and

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

SECTION 7.03. Individual Rights of Trustee. The Trustee, in its commercial banking or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to TIA Sections 310(b) and 311.

SECTION 7.04. Trustee's Disclaimer. The Trustee (i) makes no representation as to the validity or adequacy of this Indenture or the Securities, (ii) shall not be accountable for the Issuers' use or application of the proceeds from the Securities and (iii) shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.05. Notice of Default. If any Default or any Event of Default occurs and is continuing and if such Default or Event of

Default is known to an officer assigned to administer corporate trust matters of the Trustee, the Trustee shall mail to each Holder in the manner and to the extent provided in TIA Section 313(c) notice of the Default or Event of Default within 30 days after it occurs, unless such Default or Event of Default has been cured; provided, however, that, except in the case of a default in the payment of the principal of, premium, if any, or interest on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders.

SECTION 7.06. Reports by Trustee to Holders. Within 60 days after each December 31, beginning with December 31, 1998, the Trustee shall mail to each Holder as provided in TIA Section 313(c) a brief report that complies with TIA Section 313(a) dated as of such December 31, if required by TIA Section 313(a).

SECTION 7.07. Compensation and Indemnity. The Issuers shall pay to the Trustee from time to time such compensation as shall be agreed upon in writing for its services. The compensation of the Trustee shall not be limited by any law on compensation of a trustee of an express trust. The Issuers shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses (including costs of collection) and advances incurred or made by the Trustee. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel. The Issuers shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Securities, including, without limitation, the costs and expenses of investigating or defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Securities.

To secure the Issuers' payment obligations in this Section 7.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest on particular Securities. If the Trustee incurs expenses or renders services after the occurrence of an Event of Default specified in clause (h) or (i) of Section 6.01, the expenses and the compensation for the services will be intended to constitute expenses of administration under the United States Bankruptcy Code or any applicable federal or state law for the relief of debtors.

SECTION 7.08. Replacement of Trustee. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08. The Trustee may resign at any time by so notifying the Issuers in writing at least

30 days prior to the date of the proposed resignation. The Holders of a majority in principal amount of the outstanding Securities may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee with the consent of the Issuers. The Issuers may at any time remove the Trustee, by Issuer Order given at least 30 days prior to the date of the proposed removal if: (i) the Trustee is no longer eligible under Section 7.10; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuers shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the outstanding Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers. If the successor Trustee does not deliver its written acceptance required by the next succeeding paragraph of this Section 7.08 within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers or the Holders of a majority in principal amount of the outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Immediately after the delivery of such written acceptance, subject to the lien provided in Section 7.07, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, (ii) the resignation or removal of the retiring Trustee shall become effective and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder. If the Trustee is no longer eligible under Section 7.10, any Holder who satisfies the requirements of TIA Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. The Issuers shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuers' obligations under Section 7.07 shall continue indefinitely for the benefit of the retiring Trustee.

SECTION 7.09. Successor Trustee by Merger, Etc. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee herein.

SECTION 7.10. Eligibility. This Indenture shall always have a Trustee who satisfies requirements of TIA Section

310(a)(1). The Trustee shall have a combined capital and surplus of at least $25,000,000 as set forth in its most recent published annual report of condition.

SECTION 7.11. Money Held in Trust. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article Eight of this Indenture.

SECTION 7.12. Withholding Taxes. The Trustee, as agent for the Issuers, shall exclude and withhold from each payment of principal and interest and other amounts due hereunder or under the Securities any and all withholding taxes applicable thereto as required by the federal law of the United States or the law of the State of New York or any political subdivision thereof ("U.S. Taxes"). The Trustee agrees to act as such withholding agent and, in connection therewith, whenever any present or future U.S. Taxes or similar charges are required to be withheld with respect to any amounts payable in respect of the Securities, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the holders of the Securities, that it will file any necessary withholding tax returns or statements when due, and that, as promptly as possible after the payment thereof, it will deliver to each holder of a Security appropriate documentation showing the payment thereof, together with such additional documentary evidence as such holders may reasonably request from time to time.

ARTICLE EIGHT

DISCHARGE OF INDENTURE

SECTION 8.01. Termination of Issuers' Obligations. Except as otherwise provided in this Section 8.01, the Issuers may terminate their obligations under the Securities and this Indenture if:

(i) all Securities previously authenticated and delivered (other than destroyed, lost or stolen Securities that have been replaced or Securities that are paid pursuant to Section 4.01 or Securities for whose payment money or securities have theretofore been held in trust and thereafter repaid to the Note Issuers, as provided in Section 8.07) have been delivered to the Trustee for cancellation and the Issuers have paid all sums payable by them hereunder; or

(ii) (A) the Securities mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (B) the Note Issuers irrevocably deposit in trust with the Trustee during such one-year period, under the terms of an irrevocable trust agreement in form and substance satisfactory

to the Trustee, as trust funds solely for the benefit of the Holders for that purpose, cash or U.S. Government Obligations sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee in the case of deposit of U.S. Government Obligations or a combination of cash and U.S. Government Obligations), without consideration of any reinvestment of any interest thereon, to pay principal, premium, if, any, and interest on the Securities to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (C) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit, (D) such deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which any of the Issuers is a party or by which any of the Issuers is bound and (E) the Issuers have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with.

With respect to the foregoing clause (i), the Issuers' obligations under Section 7.07 shall survive. With respect to the foregoing clause (ii), the Issuers' obligations in Sections 2.02, 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 2.14, 4.01, 4.02, 7.07, 7.08, 8.06, 8.07 and 8.08 shall survive until the Securities are no longer outstanding. Thereafter, only the Issuers' obligations in Sections 7.07, 8.07 and 8.08 shall survive. After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the Issuers' obligations under the Securities and this Indenture except for those surviving obligations specified above.

SECTION 8.02. Issuers' Option to Effect Defeasance or Covenant Defeasance. The Issuers may, at their option and at any time, with respect to the Securities, elect to have either Section 8.03 or Section 8.04 applied to all outstanding Securities upon compliance with the conditions set forth below in this Article Eight.

SECTION 8.03. Defeasance and Discharge of Indenture. Upon the Issuers' exercise under Section 8.02 of the option applicable to this Section 8.03, the Issuers will be deemed to have paid and will be discharged from any and all obligations in respect of the Securities on the date the conditions set forth in Section 8.05 are satisfied (hereinafter, a "defeasance"). For this purpose, such defeasance means that the Issuers shall be deemed to have paid and discharged the entire indebtedness represented by the outstanding Securities, and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Issuers, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of outstanding Securities to receive, solely from the trust fund described in Section 8.05 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any, on) and interest on such Securities when such payments are due, (B) the Issuers' obligations with respect to such Securities under Sections 2.02, 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 2.14, 4.02,

7.07 and 7.08, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (D) this Article Eight. Subject to compliance with this Article Eight, the Issuers may exercise their option under this Section 8.03 notwithstanding the prior exercise of their option under Section 8.04 with respect to the Securities.

SECTION 8.04. Defeasance of Certain Obligations. Upon the Issuers' exercise under Section 8.02 of the option applicable to this Section 8.04, the Issuers may omit to comply with any term, provision or condition set forth in Section 4.03 or 4.04 with respect to the outstanding Securities on and after the date the conditions set forth in Section 8.05 are satisfied (hereinafter, a "covenant defeasance"). For this purpose, such covenant defeasance means that, with respect to the outstanding Securities, the Issuers may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document, and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01(d), but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 8.05. Conditions to Defeasance or Covenant Defeasance. The following shall be the conditions to application of either Section 8.03 or Section 8.04 to the outstanding Securities:

(a) The Issuers shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 7.10 who shall agree to comply with the provisions of this Article Eight applicable to it), under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) cash in United States dollars, or (B) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, sufficient (as indicated in an opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee in the case of deposit of U.S. Government Obligations or a combination of cash and U.S. Governmental Obligations) to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, the principal of (and premium, if any) and interest on the outstanding Securities on the Stated Maturity (or Redemption Date, if applicable) of such principal (and premium, if any) or installment of interest; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to said payments with respect to the Securities:

(b) No Default or Event of Default with respect to the Securities shall have

occurred and be continuing on the date of such deposit or, insofar as paragraphs (f) and (g) of Section 6.01 hereof are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(c) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which any Issuer is a party or by which any Issuer is bound;

(d) In the case of an election under Section 8.03, the Issuers shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since April 1, 1998, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(e) In the case of an election under Section 8.04, the Issuers shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(f) The Issuers shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 8.03 or the covenant defeasance under Section 8.04 (as the case may be) have been complied with.

SECTION 8.06. Application of Trust Money. Subject to Section 8.08, the Trustee or Paying Agent shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01, 8.03 or 8.04, as the case may be, and shall apply the deposited money and the money from U.S. Government Obligations in accordance with the Securities and this Indenture to the payment of principal of, premium, if any, and interest on the Securities; but such money need not be segregated from other funds except to the extent required by law.

SECTION 8.07. Repayment to Issuers. Subject to Sections 7.07, 8.01, 8.02 and 8.03, the Trustee and the Paying Agent shall promptly pay to the Note Issuers upon request any excess money held by them at any time and thereupon shall be relieved from all liability with respect to such money. The Trustee and the Paying Agent shall pay to the Issuers any money held by them for the payment of principal, premium, if any, or

interest that remains unclaimed for two years; provided that the Trustee or such Paying Agent before being required to make any payment may cause to be published at the expense of the Issuers once in a newspaper of general circulation in the City of New York or mail to each Holder entitled to such money at such Holder's address (as set forth in the Security Register) notice that such money remains unclaimed and that after a date specified therein (which shall be at least 30 days from the date of such publication or mailing) any unclaimed balance of such money then remaining will be repaid to the Issuers. After payment to the Issuers, Holders entitled to such money must look to the Issuers for payment as general creditors unless an applicable law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

SECTION 8.08. Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.01, 8.03 or 8.04, as the case may be, by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01, 8.03 or 8.04, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.01, 8.03 or 8.04, as the case may be; provided that, if the Issuers have made any payment of principal of, premium, if any, or interest on any Securities because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE NINE

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. Without Consent of Holders. The Issuers, when authorized by resolutions of their respective Boards of Directors, and the Trustee may amend or supplement this Indenture or the Securities without notice to or the consent of any Holder:

(a) to cure any ambiguity, or to correct or supplement any provision in this Indenture or the Securities which may be defective or inconsistent with any other provision in this Indenture or the Securities or make any other provisions with respect to matters or questions arising under this Indenture or the Securities; provided that, in each case, such provisions shall not adversely affect the interests of the Holders;

(b) to evidence the succession of another Person to any of the Issuers or any other obligor or guarantor on the Notes and the assumption by any such successor of the covenants

herein and in the Securities in accordance with Article Five hereof;

(c) to add to the covenants of the Issuers or any other obligor or guarantor upon the Securities for the benefit of the Holders of the Securities or to surrender any right or power conferred upon the Issuers or any other obligor or guarantor upon the Securities, as applicable, under this Indenture or the Securities;

(d) to comply with any requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA:

(e) to add a guarantor of the Securities (in addition to Continental);

(f) to evidence and provide for the acceptance of appointment hereunder of a successor Trustee; or

(g) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee for the benefit of the Holders as additional security for the payment and performance of the Issuers' obligations hereunder, in any property or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to this Indenture or otherwise.

SECTION 9.02. With Consent of Holders. Subject to Sections 6.04 and 6.07 and without prior notice to the Holders, the Issuers, when authorized by their respective Boards of Directors (as evidenced by Board Resolutions), and the Trustee may amend this Indenture and the Securities with the written consent of the Holders of a majority in principal amount of the Securities then outstanding, and the Holders of a majority in principal amount of the Securities then outstanding by written notice to the Trustee may waive future compliance by the Issuers with any provision of this Indenture or the Securities.

Notwithstanding the provisions of this Section 9.02, without the consent of each Holder affected, an amendment or waiver, including a waiver pursuant to Section 6.04, may not:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Security, or reduce the principal amount of, or premium, if any, or interest on, any Security, or change the place or currency of payment of principal of, or premium, if any, or interest on, any Security, or impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption on or after the Redemption Date) of any Security;

(ii) reduce the percentage in principal amount of outstanding Securities, the consent of whose Holders is required for any supplemental indenture, for any waiver of compliance with certain provisions of this Indenture or for waiver of certain Defaults and their consequences provided for in this Indenture;

(iii) waive a default in the payment of principal of, premium, if any, or interest on the Securities;

(iv) modify any of the provisions of this Section 9.02, except to increase the percentage of outstanding Securities required to take certain actions hereunder or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security affected thereby;

(v) except as otherwise permitted under Section 5.01, consent to the assignment or transfer by any Issuer of any of its rights or obligations under this Indenture; or

(vi) modify the Parent Guarantee or Article Ten of this Indenture in any manner adverse to the interests of the holders of the Securities.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Note Issuers shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuers will mail supplemental indentures to Holders upon request. Any failure of the Note Issuers to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

SECTION 9.03. Revocation and Effect of Consent. Until an amendment or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the Security of the consenting Holder, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of its Security. Such revocation shall be effective only if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Securities.

The Note Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver. If a record date is fixed, then, notwithstanding the last two sentences of the immediately preceding paragraph, those persons who were Holders at such record date (or their duly designated proxies) and only those persons shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

SECTION 9.04. Notation on or Exchange of Securities . If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder to deliver such Security to the Trustee. At the Note Issuers' expense, the Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder and the Trustee may place an appropriate notation on any Security thereafter authenticated. Alternatively, if the Note Issuers or the Trustee so determine, the Note Issuers, in exchange for the Security, shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.05. Trustee to Sign Amendments, Etc. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article Nine is authorized or permitted by this Indenture. Subject to the preceding sentence, the Trustee shall sign such amendment, supplement or waiver if the same does not adversely affect the rights, duties or immunities of the Trustee under this Indenture or otherwise. The Trustee may, but shall not be obligated to, execute any such amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.06. Conformity with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article Nine shall conform to the requirements of the TIA as then in effect.

ARTICLE TEN

PARENT GUARANTEE OF NOTES

SECTION 10.01. Unconditional Parent Guarantee. The Guarantor hereby unconditionally guarantees to each Holder of a Note the due and punctual payment of the principal of and premium, if any, and interest on, and any Redemption Price with respect to, such Note, when and as the same shall become due and payable, whether at maturity, by acceleration or redemption or otherwise, in accordance with the terms of such Note and this Indenture. In case of the failure of the Note Issuers punctually to pay any such principal, premium or interest payment or Redemption Price, the Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration or redemption or otherwise.

The Guarantor hereby agrees that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or failure to enforce the provisions of any such Note or

this Indenture, or any waiver, modification, consent or indulgence granted to the Note Issuers with respect thereto (unless the same shall also be provided to the Guarantor), by the Holder of such Note or the Trustee, the recovery of any judgment against either of the Note Issuers or any action to enforce the same, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, insolvency or bankruptcy of any or both of the Note Issuers, any right to require a proceeding first against either of the Note Issuers, protest or notice with respect to any such Note (except as required hereunder) or the indebtedness evidenced thereby and all demands whatsoever, and covenants that this Parent Guarantee will not be discharged except by payment in full of the principal, premium, if any, and interest on, and any Redemption Price in respect of, the Notes and the complete performance of all other obligations contained in the Notes.

The Guarantor hereby irrevocably agrees that any claim or other rights that it may now have or hereafter acquire against the Note Issuers that arise from the existence, payment, performance or enforcement of the Note Issuers' obligations under the Notes or this Indenture, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, any right to participate in any claim or remedy of the Holder of any Notes against the Note Issuers, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Note Issuers, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim or other rights, shall be subordinated and postponed in right of payment to the prior payment and performance in full of all of the Note Issuers' obligations under the Notes or this Indenture. If any amount shall be paid to the Guarantor in violation of the preceding sentence and the obligations of the Note Issuers guaranteed by the Guarantor pursuant hereto shall not have been paid in full, such amount shall be deemed to have been paid to the Guarantor for the benefit of, and held in trust for the benefit of, the Holders of Notes entitled to the benefit of this Parent Guarantee, and shall forthwith be paid to the Trustee. The Guarantor acknowledges that it will receive direct and indirect benefits from the issuance of the Notes and that the agreement set forth in this paragraph is knowingly made in contemplation of such benefits.

Upon the consolidation or merger of the Note Issuers with or into the Guarantor, and the assumption by the Guarantor, in accordance with the provisions of this Indenture, of the Note Issuers' obligations for the due and punctual payment of the principal of and premium, if any, and interest on, and any Redemption Price with respect to, all of the Notes and the performance and observance of every covenant of this Indenture on the part of the Note Issuers to be performed or observed, and the satisfaction of all other conditions to such consolidation or merger herein provided, the Guarantor shall be discharged from its obligations under this Article Ten.

ARTICLE ELEVEN

MISCELLANEOUS

SECTION 11.01. Trust Indenture Act of 1939. Prior to the effectiveness of the Registration Statement, this Indenture shall incorporate and be governed by the provisions of the TIA that are required to be part of and to govern indentures qualified under the TIA. Upon effectiveness of the Registration Statement, this Indenture shall be subject to the provisions of the TIA that are required to be a part of this Indenture and shall, to the extent applicable, be governed by such provisions.

SECTION 11.02. Notices. Any notice or communication shall be sufficiently given if in writing and delivered in person or mailed by first class mail addressed as follows:

if to the Note Issuers:

Calair L.L.C.
Calair Capital Corporation
c/o Continental Airlines, Inc.
2929 Allen Parkway
Suite 2010
Houston, TX 77019
Attention: Chief Financial Officer and
General Counsel

Telephone: (713) 834-2950
Telecopy: (713) 834-2687

if to the Guarantor:

Continental Airlines, Inc.
2929 Allen Parkway
Suite 2010
Houston, TX 77019
Attention: Chief Financial Officer and
General Counsel

Telephone: (713) 834-2950
Telecopy: (713) 834-2687

if to the Trustee:

For notices generally:

Bank One, N.A.
100 East Broad St.
8th Floor
Columbus, OH 43215

Attention: Corporate Trust Department

Telephone: (614) 248-6229
Telecopy: (614) 248-5195

For payment of the Securities:

Bank One, N.A.
c/o First Chicago Trust Company
of New York, as agent for Bank One, N.A.
14 Wall Street
8th floor, Suite 4607
New York, NY 10005

Attention: John Bergin

Telephone: (212) 240-8878
Telecopy: (212) 240-8938

The Note Issuers, the Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications. Notices shall be effective only upon receipt.

Any notice or communication mailed to a Holder shall be mailed to him at his address as it appears on the Security Register by first class mail and shall be sufficiently given to him if so mailed within the time prescribed. Copies of any such communication or notice to a Holder shall also be mailed to the Trustee and each Agent at the same time.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. Except for a notice to the Trustee, which is deemed given only when received, and except as otherwise provided in this Indenture, if a notice or communication is mailed in the manner provided in this Section 11.02, it is duly given, whether or not the addressee receives it.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

SECTION 11.03. Certificate and Opinion as to Conditions Precedent. Upon any request or application by any of the Issuers to the Trustee to take any action under this Indenture, the applicable Issuer shall furnish to the Trustee:

(i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel stating that, in the opinion of such Counsel, all such conditions precedent have been complied with.

SECTION 11.04. Statements Required in Certificate or Opinion . Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in such certificate or opinion is based;

(iii) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with; provided, however, that, with respect to matters of fact, an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

SECTION 11.05. Rules by Trustee Paying Agent or Registrar. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Paying Agent or Registrar may make reasonable rules for its functions.

SECTION 11.06. Payment Date Other Than a Business Day. If an Interest Payment Date, Redemption Date, Payment Date, Stated Maturity or date of

maturity of any Security shall not be a Business Day, then payment of principal of, premium, if any, or interest on such Security, as the case may be, shall be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Payment Date, Redemption Date, or at the Stated Maturity or date of maturity of such Security; provided that no additional interest in respect thereof shall accrue for the period from and after such Interest Payment Date, Payment Date, Redemption Date, Stated Maturity or date of maturity, as the case may be, to the next succeeding Business Day.

SECTION 11.07. Governing Law. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 11.08. No Adverse Interpretation of Other Agreements . This Indenture may not be used to interpret another indenture, loan or debt agreement of any of the Issuers or any Subsidiary of any of the Issuers. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.09. No Recourse Against Others. No recourse for the payment of the principal of, premium, if any, or interest on any of the Securities, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuers contained in this Indenture, or in any of the Securities, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator or against any past, present or future partner, shareholder, other equity holder, officer, director, employee or controlling person, as such, of the Issuers or of any successor Person, either directly or through the Issuers or any successor Person, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Securities.

SECTION 11.10. Successors. All agreements of the Issuers in this Indenture and the Securities shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.11. Duplicate Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.12. Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms and provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, as of the date first written above.

CALAIR L.L.C.
By: CALFINCO Inc., its Managing Member

By: /s/ JEFFREY J. MISNER

Name: Jeffrey J. Misner
Title: Vice President -
Treasury Operations

CALAIR CAPITAL CORPORATION

By: /s/ JEFFREY J. MISNER

Name: Jeffrey J. Misner
Title: Vice President - Treasury Operations

CONTINENTAL AIRLINES, INC.,
as Guarantor

By: /s/ GERALD LADERMAN

Name: Gerald Laderman
Title: Vice President - Corporate Finance

BANK ONE, N.A.
as Trustee

By: /s/ RUTH H. FUSSELL

Name: Ruth H. Fussell
Title: Vice President - Corporate Trust Dept.

EXHIBIT A

FORM OF FACE OF INITIAL NOTE

[Global Note Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUERS OR THE ISSUERS' AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTIONS 2.07 AND 2.08 OF THE INDENTURE.

[Legend for U.S. Global Security and the IAI Global Security]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CALAIR L.L.C. ("CALAIR"), CALAIR CAPITAL CORPORATION ("CALAIR CAPITAL," AND TOGETHER WITH CALAIR, THE "ISSUERS") OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR

RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN THE CASE OF ANY OF THE FOREGOING CLAUSES (A) THROUGH (F), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE ISSUERS AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Legend for Offshore Global Security]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH CALAIR L.L.C. ("CALAIR") OR CALAIR CAPITAL CORPORATION ("CALAIR CAPITAL" AND, TOGETHER WITH CALAIR, THE "ISSUERS") OR ANY AFFILIATE OF THE ISSUERS WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES

ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUERS' AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D), (E) OR (F) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND IN THE CASE ANY OF THE FOREGOING CLAUSES (A) THROUGH (F), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE ISSUERS AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

[Legend for Temporary Offshore Global Security]

THIS GLOBAL SECURITY IS A TEMPORARY GLOBAL SECURITY FOR PURPOSES OF REGULATION S UNDER THE SECURITIES ACT. NEITHER THIS TEMPORARY GLOBAL SECURITY NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED UNDER THE INDENTURE REFERRED TO BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL SECURITY SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

CALAIR, L.L.C.

CALAIR CAPITAL CORPORATION

8 1/8% Senior Note Due 2008

[CUSIP _____] [CINS _____]

No.

$_____

CALAIR L.L.C., a Delaware limited liability company, and CALAIR CAPITAL CORPORATION, a Delaware corporation, as joint and several obligors (together, the "Note Issuers," which term includes any successor under the Indenture hereinafter referred to), for value received, promise to pay to _____, or its registered assigns, the principal sum of [_____] ($[_____]) on April 1, 2008.

Interest Payment Dates: April 1 and October 1, commencing October 1, 1998.

Regular Record Dates: March 15 and September 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.

IN WITNESS WHEREOF, each Note Issuer has caused this Note to be signed manually or by facsimile by its respective duly authorized officers.

CALAIR L.L.C.

By:CALFINCO Inc.,
Its Managing Member

By:_____
Name:
Title:

CALAIR CAPITAL CORPORATION

By:_____
Name:
Title:

This is one of the 8 1/8% Senior Notes due 2008 referred to in the within-mentioned Indenture.

Dated: April , 1998 BANK ONE, N.A.,
as Trustee

By:_____
Authorized Signatory

CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Guarantor") hereby acknowledges the joint and several obligations of its subsidiaries CALAIR L.L.C., a Delaware limited liability company, and CALAIR CAPITAL CORPORATION, a Delaware corporation, under the Indenture and this Note, and will cause such Note Issuers to comply with their obligations under the Indenture and this Note. The Guarantor hereby unconditionally guarantees to each Holder of this Note the due and punctual payment of the principal of and premium, if any, and interest on, and any redemption payment with respect to, this Note.

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

[REVERSE SIDE OF INITIAL NOTE]

CALAIR L.L.C.

CALAIR CAPITAL CORPORATION

8 1/8% Senior Note due 2008

1. Principal and Interest.

The Note Issuers will pay the principal of this Note on April 1, 2008.

The Note Issuers promise to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth below, at the rate per annum shown above.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 15, or September 15, immediately preceding the Interest Payment Date) on each Interest Payment Date, commencing October 1, 1998.

The Holder of this Note is entitled to the benefits of the Exchange and Registration Rights Agreement, dated as of April 17, 1998, among the Note Issuers, the Guarantor and the Initial Purchasers named therein (the "Registrations Rights Agreement"). In the event that no Registration Event (as defined in the Registration Rights Agreement) has occurred on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Notes shall be increased by 0.50%, effective from and including the 210th day after the Closing Date, to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there cease to be any Registrable Securities (as defined in the Registration Rights Agreement). In the event that the Shelf Registration Statement (if it is filed), after it is declared effective by the Commission, ceases to be effective at any time during the period specified by Section 2(b)(B) of the Registration Rights Agreement for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate per annum payable in respect of the Notes shall be increased by 0.50% from the 61st day of the applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) of the Registration Rights Agreement).

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from April 17, 1998 provided that, if there is no existing default in the payment of interest and this Note is authenticated between a Regular Record Date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Note Issuers shall pay interest on overdue principal and premium, if any, and

(to the extent lawful) interest on overdue installments of interest at the rate per annum borne by the Notes.

2. Method of Payment.

The Note Issuers will pay principal as provided above and interest (except defaulted interest) on the principal amount of the Notes as provided above on each April 1, and October 1 to the persons who are Holders (as reflected in the Security Register at the close of business on the March 15 and September 15 immediately preceding the Interest Payment Date), in each case, even if the Note is cancelled on registration of transfer or registration of exchange after such record date; provided that, with respect to the payment of principal, the Note Issuers will not make payment to the Holder unless this Note is surrendered to a Paying Agent.

The Note Issuers will pay principal, premium, if any, and as provided above, interest in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. If a payment date is a date other than a Business Day at a place of payment, payment may be made at that place on the next succeeding day that is a Business Day and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar.

Initially, the Trustee will act as authenticating agent, Paying Agent and Registrar. The Note Issuers may change any authenticating agent, Paying Agent or Registrar without notice. The Note Issuers, any Subsidiary or any Affiliate of any of them may act as Paying Agent, Registrar or co-Registrar.

4. Indenture; Limitations.

The Note Issuers issued the Notes under an Indenture dated as of April 1, 1998 (the "Indenture"), among the Note Issuers, as joint and several obligors, Continental Airlines, Inc., as Guarantor, and Bank One, N.A., as trustee (the "Trustee"). Capitalized terms herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are 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 and the Parent Guarantee are general unsecured, unsubordinated indebtedness of each of the Note Issuers and the Guarantor, respectively, rank pari passu in right of payment with all existing and future unsecured, unsubordinated indebtedness of each of the Note Issuers and the Guarantor, respectively, and will be senior in right of payment to all existing and future subordinated indebtedness of each of the Note Issuers and the Guarantor, respectively. The Indenture limits the original aggregate principal amount of the Notes to $112,300,000 plus any Exchange Notes that may be issued pursuant to the Registration Rights Agreement.

5. Redemption.

The Note Issuers may, at their option at any time and from time to time, redeem Securities, in whole or in part, at a redemption price equal to the sum of (i) the principal amount thereof on the Redemption Date, plus (ii) accrued and unpaid interest thereon, if any, to the Redemption Date, plus (iii) the Make-Whole Premium, if any, with respect thereto. The Trustee shall not be responsible for calculating any Make-Whole Premium with respect to any Notes to be redeemed.

"Make-Whole Premium" means, with respect to any Security, the excess, if any, of (A) the present value of the required interest and principal payments due on such Security on or after the Redemption Date, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (B) the sum of the then outstanding principal amount of such Security plus the accrued and unpaid interest thereon, if any, paid on the Redemption Date.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining Average Life of the Securities; provided, however, that if the Average Life of the Securities is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Average Life of the Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed will be selected not more than 60 days prior to the Redemption Date by the Trustee pro rata, by lot, or by such other method as the Trustee will deem fair and appropriate; provided, however, that no such partial redemption will reduce the principal amount of a Note not redeemed to less than $1,000.

6. Notice of Redemption.

Notice of redemption will be mailed, first-class postage prepaid, at least 20 days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at such Holder's last address as it appears in the Security Register. Notes in original denominations larger than $1,000 may be redeemed in part; provided that Notes will only be issued in denominations of $1,000 principal amount or integral multiples thereof. On and after the Redemption Date, interest will cease to accrue on Notes or portions of Notes called for redemption, unless the Note Issuers default in the payment of the Redemption Price.

7. Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of $1,000 of principal amount and integral multiples 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 to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer or exchange of any Notes selected for redemption. Also, it need not register the transfer or exchange of any Notes for a period of 15 days before a selection of Notes to be redeemed is made.

8. Persons Deemed Owners.

A Holder shall be treated as the owner of a Note for all purposes.

9. Unclaimed Money.

If money for the payment of principal, premium, if any, or interest remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Note Issuers. After that, Holders entitled to the money must look to the Note Issuers for payment, unless an applicable law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

10. Discharge Prior to Redemption or Maturity.

If the Note Issuers deposit with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, if any, and accrued interest on the Notes to the Stated Maturity (or Redemption Date, if applicable), the Note Issuers and the Guarantor will be discharged from certain covenants set forth in the Indenture and, in certain circumstances, will be discharged from the Indenture and the Notes, except for certain sections thereof.

11. Amendment; Supplement; Waiver.

Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding, and any existing default or compliance with any provision may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency and make any change that does not adversely affect the rights of any Holder.

12. Restrictive Covenants.

The Indenture imposes certain limitations on the ability of the Note Issuers and the Guarantor, among other things, to consolidate, merge or sell all or substantially all of their

respective assets.

13. Successor Persons.

Generally, when a successor person or other entity assumes all the obligations of its predecessor under the Notes and the Indenture, the predecessor person will be released from those obligations.

14. Defaults and Remedies.

The following events constitute "Events of Default" under the Indenture: (a) default in the payment of any installment of interest on any Security when it becomes due and payable and continuance of such default for a period of 30 days; (b) default in the payment of the principal of or premium, if any, on any Security at its Maturity (upon acceleration, optional redemption, required purchase or otherwise); (c) default in the performance, or breach, of the provisions of Section 5.01; (d) default in the performance, or breach, of any covenant of the Note Issuers or the Guarantor contained in the Indenture (other than a default in the performance, or breach, of a covenant which is specifically dealt with in clause (a), (b) or (c) above) and continuance of such default or breach for a period of 60 days after written notice shall have been given to the Issuers by the Trustee or to the Issuers and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities then outstanding; (e) the Parent Guarantee shall for any reason cease to be, or shall be asserted in writing by a Note Issuer or the Guarantor not to be, in full force and effect and enforceable in accordance with its terms and the terms of the Indenture; (f) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of any of the Note Issuers or the Guarantor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any of the Note Issuers or the Guarantor or for all or substantially all of the property and assets of any of the Note Issuers or the Guarantor or (C) the winding up or liquidation of the affairs of any of the Note Issuers or the Guarantor and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (g) any of the Note Issuers or the Guarantor (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any of the Note Issuers or the Guarantor or all or substantially all of the property and assets of the Note Issuers or the Guarantor or (C) effects any general assignment for the benefit of creditors.

If an Event of Default (other than an Event of Default specified in clause (f) or (g) above that occurs with respect to any of the Note Issuers or the Guarantor) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuers (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal, premium, if any, and accrued interest on the Notes to be immediately due and

payable. If an Event of Default specified in clause (f) or (g) above occurs and is continuing, the principal of, premium, if any, and accrued interest on the Notes then outstanding shall ipso facto become and be due and payable without any declaration or other act on the part of the Trustee or any Holder. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of at least a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of any trust or power.

15. Trustee Dealings with Issuers.

The Trustee under the Indenture, in its commercial banking or any other capacity, may make loans to, accept deposits from and perform services for the Issuers or their respective Affiliates and may otherwise deal with the Issuers or their respective Affiliates as if it were not the Trustee.

16. No Recourse Against Others.

No incorporator or any past, present or future partner, shareholder, other equity holder, officer, director, employee or controlling person as such, of any of the Note Issuers or the Guarantor or of any successor Person shall have any liability for any obligations of any of the Note Issuers or the Guarantor under the Notes or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.

17. Authentication.

This Note shall not be valid until the Trustee or authenticating agent signs the certificate of authentication on the other side of this Note.

18. Governing Law.

THE NOTE AND THE GUARANTEE THEREOF SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

19. Abbreviations.

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

20. CUSIP Numbers.

Pursuant to a recommendation promulgated by the

Committee on Uniform Security Identification Procedures the Note Issuers have caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Note Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to Calair L.L.C. or Calair Capital Corporation, both care of Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Corporate Secretary.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Note to

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

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

and irrevocably appoint agent to transfer this Note on the books of the Note Issuers. The agent may substitute another to act for him or her.

Date: Your Signature:

Signature Guarantee:

(Signature must be guaranteed by a participant in a recognized signature guarantee medallion program)

Sign exactly as your name appears on the other side of this Security.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No. _____ Please print or typewrite name and address including zip code of assignee _____ the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Note Issuers with full power of substitution in the premises.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL SECURITIES OTHER THAN EXCHANGE NOTES, OFFSHORE GLOBAL SECURITIES AND CERTIFICATED SECURITIES]

In connection with any transfer of this Note occurring prior to the date which is the earlier of (i) the date of an effective Registration Statement or (ii) the end of the period referred to in Rule 144(k) under the Securities Act, the undersigned confirms that without utilizing any general solicitation or general advertising that:

[Check One]

[ ] (a) this Note is being transferred in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Rule 144A thereunder.

or

[ ] (b) this Note is being transferred other than in accordance with (a) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.08 of the Indenture shall have been satisfied.

Date: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

TO BE COMPLETED BY PURCHASER IF (a) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Note Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

- --

NOTICE: To be executed by an executive officer

Dated: _____

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee or Notes Custodian
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EXHIBIT B

FORM OF FACE OF EXCHANGE NOTE

[Global Note Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUERS OR THEIR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO HEREIN.

CALAIR, L.L.C.
CALAIR CAPITAL CORPORATION
8 1/8% Senior Note Due 2008
[CUSIP _____] [CINS _____]

No.
$_____

CALAIR L.L.C., a Delaware limited liability company, and CALAIR CAPITAL CORPORATION, a Delaware corporation, as joint and several obligors (together, the "Note Issuers," which term includes any successor under the Indenture hereinafter referred to), for value received, promise to pay to _____, or its registered assigns, the principal sum of [_____] ($[_____]) on April 1, 2008.

Interest Payment Dates: April 1 and October 1, commencing October 1, 1998.

Regular Record Dates: March 15 and September 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.

IN WITNESS WHEREOF, each Note Issuer has caused this Note to be signed manually or by facsimile by its respective duly authorized officers.

CALAIR L.L.C.

By: CALFINCO Inc.,
Its Managing Member

By:

Name:
Title:

CALAIR CAPITAL CORPORATION

By:

Name:
Title:

This is one of the 81/8% Senior Notes due 2008 referred to in the within-mentioned Indenture.

Dated: April , 1998

BANK ONE, N.A.,
as Trustee

By:

Authorized Signatory

CONTINENTAL AIRLINES, INC., a Delaware corporation (the "Guarantor") hereby acknowledges the joint and several obligations of its subsidiaries CALAIR L.L.C., a Delaware limited liability company, and CALAIR CAPITAL CORPORATION, a Delaware corporation, under the Indenture and this Note, and will cause such Note Issuers to comply with their obligations under the Indenture and this Note. The Guarantor hereby unconditionally guarantees to each Holder of this Note the due and punctual payment of the principal of and premium, if any, and interest on, and any redemption payment with respect to, this Note.

CONTINENTAL AIRLINES, INC.

By:

Name:
Title:

[REVERSE SIDE OF EXCHANGE NOTE]

CALAIR L.L.C.

CALAIR CAPITAL CORPORATION

8 1/8% Senior Note due 2008

1. Principal and Interest.

The Note Issuers will pay the principal of this Note on April 1, 2008.

The Note Issuers promise to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth below, at the rate per annum shown above.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 15 or September 15 immediately preceding the Interest Payment Date) on each Interest Payment Date, commencing October 1, 1998.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from April 17, 1998 provided that, if there is no existing default in the payment of interest and this Note is authenticated between a Regular Record Date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such Interest Payment Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Note Issuers shall pay interest on overdue principal and premium, if any, and (to the extent lawful) interest on overdue installments of interest at the rate per annum borne by the Notes.

2. Method of Payment.

The Note Issuers will pay principal as provided above and interest (except defaulted interest) on the principal amount of the Notes as provided above on each April 1 and October 1 to the persons who are Holders (as reflected in the Security Register at the close of business on the March 15 and September 15 immediately preceding the Interest Payment Date), in each case, even if the Note is cancelled on registration of transfer or registration of exchange after such record date; provided that, with respect to the payment of principal, the Note Issuers will not make payment to the Holder unless this Note is surrendered to a Paying Agent.

The Note Issuers will pay principal, premium, if any, and as provided above, interest in money of the United States of America that at the time of payment is legal tender for

payment of public and private debts. If a payment date is a date other than a Business Day at a place of payment, payment may be made at that place on the next succeeding day that is a Business Day and no interest shall accrue for the intervening period.

3. Paying Agent and Registrar.

Initially, the Trustee will act as authenticating agent, Paying Agent and Registrar. The Note Issuers may change any authenticating agent, Paying Agent or Registrar without notice. The Note Issuers, any Subsidiary or any Affiliate of any of them may act as Paying Agent, Registrar or co-Registrar.

4. Indenture; Limitations.

The Note Issuers issued the Notes under an Indenture dated as of April 1, 1998 (the "Indenture"), among the Note Issuers, as joint and several obligors, Continental Airlines, Inc., as Guarantor, and Bank One, N.A., as trustee (the "Trustee"). Capitalized terms herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are 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 and the Parent Guarantee are general unsecured, unsubordinated indebtedness of each of the Note Issuers and the Guarantor, respectively, rank pari passu in right of payment with all existing and future unsecured, unsubordinated indebtedness of each of the Note Issuers and the Guarantor, respectively, and will be senior in right of payment to all existing and future subordinated indebtedness of each of the Note Issuers and the Guarantor, respectively. The Indenture limits the original aggregate principal amount of the Notes to $112,300,000 plus any Exchange Notes that may be issued pursuant to the Registration Rights Agreement.

5. Redemption.

The Note Issuers may, at their option at any time and from time to time, redeem Securities, in whole or in part, at a redemption price equal to the sum of (i) the principal amount thereof on the Redemption Date, plus (ii) accrued and unpaid interest thereon, if any, to the Redemption Date, plus (iii) the Make-Whole Premium, if any, with respect thereto. The Trustee shall not be responsible for calculating any Make-Whole Premium with respect to any Notes to be redeemed.

"Make-Whole Premium" means, with respect to any Security, the excess, if any, of (A) the present value of the required interest and principal payments due on such Security on or after the Redemption Date, computed using a discount rate equal to the Treasury Rate plus 25 basis points, over (B) the sum of the then outstanding principal amount of such Security plus the accrued and unpaid interest thereon, if any, paid on the Redemption Date.

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining Average Life of the Securities; provided, however, that if the Average Life of the Securities is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Average Life of the Securities is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

If less than all the Notes are to be redeemed, the particular Notes to be redeemed will be selected not more than 60 days prior to the Redemption Date by the Trustee pro rata, by lot, or by such other method as the Trustee will deem fair and appropriate; provided, however, that no such partial redemption will reduce the principal amount of a Note not redeemed to less than $1,000.

6. Notice of Redemption.

Notice of redemption will be mailed, first-class postage prepaid, at least 20 days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at such Holder's last address as it appears in the Security Register. Notes in original denominations larger than $1,000 may be redeemed in part; provided that Notes will only be issued in denominations of $1,000 principal amount or integral multiples thereof. On and after the Redemption Date, interest will cease to accrue on Notes or portions of Notes called for redemption, unless the Note Issuers default in the payment of the Redemption Price.

7. Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of $1,000 of principal amount and integral multiples 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 to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer or exchange of any Notes selected for redemption. Also, it need not register the transfer or exchange of any Notes for a period of 15 days before a selection of Notes to be redeemed is made.

8. Persons Deemed Owners.

A Holder shall be treated as the owner of a Note for all purposes.

9. Unclaimed Money.

If money for the payment of principal, premium, if any, or interest remains unclaimed for two years, the Trustee and the Paying Agent will pay the money back to the Note Issuers. After that, Holders entitled to the money must look to the Note Issuers for payment, unless an applicable law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

10. Discharge Prior to Redemption or Maturity.

If the Note Issuers deposit with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, if any, and accrued interest on the Notes to the Stated Maturity (or Redemption Date, if applicable), the Note Issuers and the Guarantor will be discharged from certain covenants set forth in the Indenture and, in certain circumstances, will be discharged from the Indenture and the Notes, except for certain sections thereof.

11. Amendment; Supplement; Waiver.

Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding, and any existing default or compliance with any provision may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding. Without notice to or the consent of any Holder, the parties thereto may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency and make any change that does not adversely affect the rights of any Holder.

12. Restrictive Covenants.

The Indenture imposes certain limitations on the ability of the Note Issuers and the Guarantor, among other things, to consolidate, merge or sell all or substantially all of their respective assets.

13. Successor Persons.

Generally, when a successor person or other entity assumes all the obligations of its predecessor under the Notes and the Indenture, the predecessor person will be released from those obligations.

14. Defaults and Remedies.

The following events constitute "Events of Default" under the Indenture: (a) default in the payment of any installment of interest on any Security when it becomes due and payable and continuance of such default for a period of 30 days; (b) default in the payment of the principal of or premium, if any, on any Security at its Maturity (upon acceleration, optional

redemption, required purchase or otherwise); (c) default in the performance, or breach, of the provisions of Section 5.01; (d) default in the performance, or breach, of any covenant of the Note Issuers or the Guarantor contained in the Indenture (other than a default in the performance, or breach, of a covenant which is specifically dealt with in clause (a), (b) or (c) above) and continuance of such default or breach for a period of 60 days after written notice shall have been given to the Issuers by the Trustee or to the Issuers and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities then outstanding; (e) the Parent Guarantee shall for any reason cease to be, or shall be asserted in writing by a Note Issuer or the Guarantor not to be, in full force and effect and enforceable in accordance with its terms and the terms of the Indenture; (f) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of any of the Note Issuers or the Guarantor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (B) appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any of the Note Issuers or the Guarantor or for all or substantially all of the property and assets of any of the Note Issuers or the Guarantor or (C) the winding up or liquidation of the affairs of any of the Note Issuers or the Guarantor and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (g) any of the Note Issuers or the Guarantor (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any of the Note Issuers or the Guarantor or for all or substantially all of the property and assets of the Note Issuers or the Guarantor or (C) effects any general assignment for the benefit of creditors.

If an Event of Default (other than an Event of Default specified in clause (f) or (g) above that occurs with respect to any of the Note Issuers or the Guarantor) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuers (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal, premium, if any, and accrued interest on the Notes to be immediately due and payable. If an Event of Default specified in clause (f) or (g) above occurs and is continuing, the principal of, premium, if any, and accrued interest on the Notes then outstanding shall ipso facto become and be due and payable without any declaration or other act on the part of the Trustee or any Holder. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of at least a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of any trust or power.

15. Trustee Dealings with Issuers.

The Trustee under the Indenture, in its commercial banking or any other capacity, may make loans to, accept deposits from and perform services for the Issuers or their respective Affiliates and may otherwise deal with the Issuers or their respective Affiliates as if it were not the Trustee.

16. No Recourse Against Others.

No incorporator or any past, present or future partner, shareholder, other equity holder, officer, director, employee or controlling person as such, of any of the Note Issuers or the Guarantor or of any successor Person shall have any liability for any obligations of any of the Note Issuers or the Guarantor under the Notes or the Indenture or for any claim based on, in respect of or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Notes.

17. Authentication.

This Note shall not be valid until the Trustee or authenticating agent signs the certificate of authentication on the other side of this Note.

18. Governing Law.

THE NOTE AND THE GUARANTEE THEREOF SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

19. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TENANT (= 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).

20. CUSIP Numbers.

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

The Note Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to Calair L.L.C. or Calair Capital Corporation, both care of Continental Airlines, Inc., 2929 Allen Parkway, Suite 2010, Houston, Texas 77019, Attention: Corporate Secretary.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Note to

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

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

and irrevocably appoint agent to

transfer this Note on the books of the Note Issuers. The agent may substitute another to act for him or her.

Date: Your Signature:

Signature Guarantee:

(Signature must be guaranteed by a participant in a recognized signature guarantee medallion program)

Sign exactly as your name appears on the other side of this Security.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No. _____ Please print or typewrite name and address including zip code of assignee _____ the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Note Issuers with full power of substitution in the premises.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee or Notes Custodian
- --------	----------	----------	----------	----------

EXHIBIT C

Form of Certificate to be Delivered
Upon Termination of Restricted Period

---------- ---, ----

BANK ONE, N.A.
235 West Schrock Road
Westerville, OH 43081

Attention: Corporate Trust Operations

Re: Calair L.L.C. and Calair Capital Corporation (the "Note Issuers")
81/8% Senior Notes due 2008 (the "Securities")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 1, 1998 (the "Indenture"), between the Note Issuers, Continental Airlines, Inc. (the "Guarantor") and together with the Note Issuers, the "Issuers") and Bank One, N.A. Capitalized terms used herein and to otherwise defined have the meanings set forth in the Indenture.

[For purposes of acquiring a beneficial interest in the Permanent Offshore Global Security upon the expiration of the Restricted Period,][For purposes of receiving payments under the Temporary Offshore Global Security], the undersigned holder of a beneficial interest in the Temporary Offshore Global Security issued under the Indenture certifies that it [is not a U.S. person as defined by Regulation S under] [purchased such interest pursuant to an exemption from, or in a transaction not subject to, the registration requirements of] the Securities Act of 1933, as amended.

We understand that his certificate is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate to any interested party in such proceeding.

Very truly yours,

[Name of Holder]

By:

Authorized Signature

EXHIBIT D

Form of Certificate to be Delivered in Connection
with Transfers Non-QIB Institutional Accredited Investors

Transferee Letter of Representation

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CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
CONTINENTAL AIRLINES, INC.
c/o Bank One, N.A., as Trustee
235 West Schrock Road
Westerville, OH 43081

Attention: Corporate Trust Operations

Ladies and Gentlemen:

This certificate is delivered to request a transfer of $_____ principal amount of the 81/8% Senior Notes due 2008 (the "Notes") of Calair L.L.C. and Calair Capital Corporation (the "Issuers").

Upon transfer, the Notes would be registered in the name of the new beneficial owners as follows:

Name:

Address:

Taxpayer ID Number:

The undersigned represents and warrants to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")), purchasing for our own account or for the account of such an institutional "accredited investor" at least $250,000 principal amount of the Notes, and we are acquiring the Notes not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes and we invest in or purchase securities similar to the Notes in the normal course of our business. We and any accounts for which we are acting, are each able to bear the economic risk of our or its investment.

2. We understand that the Notes have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Notes to offer, sell or otherwise transfer such Notes prior to the date that is two years after the later of the date of original issue of such Notes and the last date on which the Issuers or any affiliate of the Issuers was the owner of such Notes (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Issuers, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) in a transaction complying with the requirements of Rule 144A under the Securities Act ("Rule 144A"), to a person we reasonably believe is a qualified institutional investor under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional "accredited investor" within the meaning of Rule 501 (a)(1), (2), (3) or (7) under the Securities Act that is purchasing for its own account or for the account of such an institutional "accredited investor," in each case in a minimum principal amount of Notes of $250,000 or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Issuers and the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of Rule 501 (a)(1), (2), (3) or (7) under the Securities Act and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Issuers and the Trustee reserve the right prior to the offer, sale or other transfer prior to the Resale Restriction Termination Date of the Notes pursuant to clause (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Issuers and the Trustee.

TRANSFEREE:

BY:

Upon transfer the Notes would be registered in the name of the new beneficial owner as follows:

NAME Address Taxpayer ID Number:

Very truly yours,

[Name of Transferor]

By:

Name: Signature Medallion Guaranteed

EXHIBIT E

Form of Certificate to be Delivered in Connection
with Transfers Pursuant to Regulation S

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BANK ONE, N.A.
235 West Schrock Road.
Westerville, OH 43081

Attention: Corporate Trust Operations

Re: Calair L.L.C. and Calair Capital Corporation (the "Note Issuers")
81/8% Senior Notes due 2008 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed sale of U.S. $_____ aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States;

(2) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(3) no directed selling efforts have been made by us, any affiliate of ours, or any Person acting on our or their behalf, in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act . In addition, if the sale is made during a restricted period and the provisions of Rule 903(c)(3) or Rule 904(c)(1) of Regulation S are applicable thereto, the undersigned confirms that such sale has been made in accordance with the applicable provisions of Rule 903(c)(3) or Rule 904(c)(1), as the case may be.

You and the Note Issuers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:

Authorized Signature

Exhibit 4.3

EXECUTION COPY

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Exchange and Registration Rights Agreement

Dated as of April 17, 1998

among

Calair L.L.C. and
Calair Capital Corporation,

as Note Issuers,

and

Continental Airlines, Inc.,

as Guarantor,

and

Chase Securities Inc.,
Credit Suisse First Boston Corporation and
Morgan Stanley & Co. Incorporated,

as Purchasers

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EXCHANGE AND REGISTRATION RIGHTS AGREEMENT

THIS EXCHANGE AND REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 17, 1998, among (i) Calair L.L.C., a Delaware limited liability company ("Calair"), and Calair Capital Corporation, a Delaware corporation ("Calair Capital" and, together with Calair, the "Note Issuers"), (ii) Continental Airlines, Inc., a Delaware corporation (the "Guarantor" and, together with the Note Issuers, the "Issuers"), and (iii) Chase Securities, Inc., Credit Suisse First Boston Corporation and Morgan Stanley & Co. Incorporated (together, the "Purchasers").

This Agreement is made pursuant to the Purchase Agreement dated April 14, 1998, among the Issuers and the Purchasers (the "Purchase Agreement"), which provides that the Note Issuers will issue and sell $112,300,000 principal amount of 8?% Senior Notes due 2008 (the "Initial Notes"). The Initial Notes will be fully guaranteed on an unsecured, senior basis by the Guarantor. The Initial Notes together with such guarantee are referred to herein as the "Initial Securities". In order to induce the Purchasers to enter into the Purchase Agreement, the Issuers have agreed to provide to the Purchasers and their successors, assigns and direct and indirect transferees the exchange and registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the closing under the Purchase Agreement.

In consideration of the foregoing, the Issuers and the Purchasers agree as follows:

1. Definitions. The definitions set forth in this Agreement shall apply equally to both singular and plural forms of the terms defined. As used in this Agreement, the following capitalized defined terms shall have the following meanings:

"1933 Act" shall mean the Securities Act of 1933, as amended from time to time.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Agreement" shall have the meaning set forth in the preamble of this Agreement.

"Business Day" shall mean any day on which the New York Stock Exchange, Inc. is open for trading and banks in The City of New York are open for business; references to "day" shall mean a calendar day.

"Closing Date" shall mean the Closing Date as defined in the Purchase Agreement.

"DTC" shall mean the Depository Trust Company or any other depositary appointed by the Issuers; provided, however, that any such depositary must have an address in the Borough of Manhattan, in The City of New York.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Offer" shall mean the exchange offer by the Issuers of Exchange Securities for Registrable Securities pursuant to Section 2(a) hereof.

"Exchange Offer Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2(a) hereof.

"Exchange Offer Registration Statement" shall mean a Registration Statement on Form S-4 (or, if applicable, on another appropriate form) filed with the SEC pursuant to Section 2(a) of this Agreement, and all amendments and supplements to such Registration Statement, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Exchange Securities" shall mean the securities to be issued under the Indenture, together with the guarantee thereof by the Guarantor provided for in the Indenture, and otherwise containing terms identical in all material respects to the Initial Securities (except that, with respect to the Exchange Securities, (i) interest thereon shall accrue as set forth in Section 2(a) hereof, (ii) the transfer restrictions thereon (other than the transfer restrictions provided for in Section 2.08(e) of the Indenture relating to certain ERISA matters) shall be eliminated, (iii) certain provisions relating to an increase in the stated rate of interest thereon shall be eliminated and (iv) such Exchange Securities shall initially be available only in book-entry form) to be offered to Holders of Initial Securities in exchange for Initial Securities pursuant to the Exchange Offer.

"Holders" shall mean each of the Purchasers, for so long as they own any Registrable Securities, and each of their successors, assigns and direct and indirect transferees who become owners of Registrable Securities.

"Indenture" shall mean the indenture relating to the Securities entered into among the Issuers and the Trustee and dated as of April 1, 1998.

"Initial Notes" has the meaning set forth in the preamble of this Agreement.

"Initial Securities" has the meaning set forth in the preamble of this Agreement.

"Issuers" shall have the meaning set forth in the preamble of this Agreement and shall include the Issuers' respective successors.

"Majority Holders" shall mean the Holders of a majority of the aggregate principal amount of outstanding Registrable Securities; provided that whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Issuers or any "affiliate" (as such

term is defined in Rule 405 under the 1933 Act) of an Issuer (other than the Purchasers or subsequent holders of Registrable Securities if such subsequent holders are deemed to be affiliates solely by reason of their holding of such Registrable Securities) shall be disregarded in determining whether such consent or approval was given by the Holders of such required percentage or amount.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"Note Issuers" shall have the meaning set forth in the preamble of this Agreement and shall include the Note Issuers' respective successors.

"Participating Broker-Dealer" shall have the meaning set forth in Section 3(f) of this Agreement.

"Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"Prospectus" shall mean the prospectus included in a Registration Statement, including any preliminary prospectus, and any such prospectus as amended or supplemented by any prospectus supplement, including a prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by a Shelf Registration Statement, and by all other amendments and supplements to a prospectus, including post-effective amendments, and in each case including all material incorporated by reference therein.

"Purchase Agreement" shall have the meaning set forth in the preamble of this Agreement.

"Purchasers" shall have the meaning set forth in the preamble of this Agreement.

"Registrable Securities" shall mean the Initial Securities; provided, however, that the Initial Securities shall cease to be Registrable Securities when (i) a Shelf Registration Statement with respect to such Initial Securities shall have been declared effective under the 1933 Act and such Initial Securities shall have been disposed of pursuant to such Shelf Registration Statement, (ii) such Initial Securities shall have been sold to the public pursuant to paragraph (k) of Rule 144 (or any similar provision then in force, but not Rule 144A) under the 1933 Act or may then be sold to the public pursuant to said Rule 144 (or any similar provision then in force) by Holders other than "affiliates" or former "affiliates" (as such term is defined in paragraph (a) of Rule 144) of the Issuers, (iii) such Initial Securities shall have ceased to be outstanding or (iv) such Initial Securities have been exchanged for Exchange Securities upon consummation of the Exchange Offer.

"Registration Default" shall have the meaning set forth in Section 2(b) of this Agreement.

"Registration Event" shall mean the declaration of the effectiveness by the SEC of an Exchange Offer Registration Statement or a Shelf Registration Statement.

"Registration Expenses" shall mean any and all expenses incident to performance of or compliance by the Issuers with this Agreement, including without limitation: (i) all SEC, stock exchange or NASD registration and filing fees, (ii) all fees and expenses incurred in connection with compliance with state or other securities or blue sky laws and compliance with the rules of the NASD (including reasonable fees and disbursements of counsel for any underwriters or Holders in connection with state or other securities or blue sky qualification of any of the Exchange Securities or Registrable Securities), (iii) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Registration Statement, any Prospectus, any amendments or supplements thereto, any underwriting agreements, securities sales agreements and other documents relating to the performance of and compliance with this Agreement, (iv) all rating agency fees, (v) all fees and expenses incurred in connection with the listing, if any, of any of the Registrable Securities on any securities exchange or exchanges, (vi) all fees and disbursements relating to the qualification of the Indenture under applicable securities laws, (vii) the fees and disbursements of counsel for the Issuers and of the independent public accountants of the Issuers, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (viii) the fees and expenses of the Trustee and any paying agent (including related fees and expenses of any counsel to such parties); and (ix) any reasonable fees and disbursements of the underwriters, if any, and the reasonable fees and expenses of any special experts retained by the Issuers in connection with any Registration Statement, in each case as are customarily required to be paid by issuers or sellers of securities, but excluding fees of counsel to the underwriters or the Holders and underwriting discounts and commissions and transfer taxes, if any relating to the sale or disposition of Registrable Securities by a Holder.

"Registration Statement" shall mean any registration statement of the Issuers which covers any of the Exchange Securities or Registrable Securities pursuant to the provisions of this Agreement, and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"SEC" shall mean the Securities and Exchange Commission, as from time to time constituted or created under the 1934 Act, or, if at any time after the execution of this

instrument such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties on such date.

"Shelf Registration" shall mean a registration under the 1933 Act effected pursuant to Section 2(b) hereof.

"Shelf Registration Statement" shall mean a "shelf" registration statement of the Issuers pursuant to the provisions of Section 2(b) of this Agreement which covers some or all of the Registrable Securities on an appropriate form under Rule 415 under the 1933 Act, or any similar rule that may be adopted by the SEC, and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all material incorporated by reference therein.

"Staff" shall mean the Staff of the Division of Corporation Finance of the SEC.

"TIA" shall have the meaning set forth in Section 3(l) of this Agreement.

"Trustee" shall mean Bank One, N.A.

2. Registration under the 1933 Act. (a) Exchange Offer Registration. To the extent not prohibited by any applicable law or applicable interpretation of the Staff, each of the Issuers shall use its best efforts (A) to file with the SEC within 120 days after the Closing Date an Exchange Offer Registration Statement covering the offer by the Issuers to the Holders to exchange all of the Registrable Securities for Exchange Securities, (B) to cause such Exchange Offer Registration Statement to be declared effective by the SEC within 180 days after the Closing Date, (C) to cause such Registration Statement to remain effective until the closing of the Exchange Offer and (D) to consummate the Exchange Offer within 210 days after the Closing Date. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuers shall promptly commence the Exchange Offer, it being the objective of such Exchange Offer to enable each Holder (other than Participating Broker-Dealers) eligible and electing to exchange Registrable Securities for Exchange Securities (assuming that such Holder is not an affiliate of any of the Issuers within the meaning of Rule 405 under the 1933 Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements or understandings with any person to participate in the Exchange Offer for the purpose of distributing the Exchange Securities) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the 1933 Act and without material restrictions under the securities laws of a substantial proportion of the several states of the United States.

In connection with the Exchange Offer, the Issuers shall:

(i) mail to each Holder a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(ii) keep the Exchange Offer open for not less than 30 days after the date notice thereof is mailed to the Holders (or longer if required by applicable law);

(iii) use the services of DTC for the Exchange Offer with respect to Initial Securities evidenced by global notes;

(iv) permit Holders to withdraw tendered Registrable Securities at any time prior to the close of business, New York City time, on the last Business Day on which the Exchange Offer shall remain open, by sending to the institution specified in the notice, a telegram, telex, facsimile transmission or letter setting forth the name of such Holder, the principal amount of Registrable Securities delivered for exchange, and a statement that such Holder is withdrawing its election to have such Registrable Securities exchanged;

(v) use their best efforts to ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading; and

(vi) otherwise comply in all respects with all applicable laws relating to the Exchange Offer.

As soon as practicable after the close of the Exchange Offer, the Issuers shall:

(i) accept for exchange Registrable Securities duly tendered and not validly withdrawn pursuant to the Exchange Offer in accordance with the terms of the Exchange Offer Registration Statement and the letter of transmittal which is an exhibit thereto;

(ii) cancel or cause to be canceled all Registrable Securities so accepted for exchange by the Issuers; and

(iii) promptly cause to be authenticated and delivered Exchange Securities to each Holder of Registrable Securities equal in amount to the Registrable Securities of such Holder so accepted for exchange.

Interest on each Exchange Security will accrue from the last date on which interest was paid on the Registrable Securities surrendered in exchange therefor or, if no interest has been paid on the Registrable Securities, from the Closing Date. The Exchange Offer shall not be subject to any conditions, other than that the Exchange Offer, or the making of any exchange by a Holder, does not violate applicable law or any applicable interpretation of the Staff. Each Holder of Registrable Securities (other than Participating Broker-Dealers) who wishes to exchange such Registrable Securities for Exchange Securities in the Exchange Offer shall represent that (i) it is neither an "affiliate" of any of the Issuers within the meaning of Rule 405 under the 1933 Act, nor a broker-dealer tendering Registrable Securities acquired directly from the Issuers for its own account, (ii) any Exchange Securities to be received by it were acquired in the ordinary course of business and (iii) it has no arrangement with any Person to participate in the distribution (within the meaning of the 1933 Act) of the Exchange Securities.

(b) Shelf Registration. (i) If, because of any change in law or applicable interpretations thereof by the Staff, the Issuers are not permitted to effect the Exchange Offer as contemplated by Section 2(a) hereof, or (ii) if for any other reason the Exchange Offer Registration Statement is not declared effective within 180 days after the Closing Date or the Exchange Offer is not consummated within 210 days after the Closing Date (a "Registration Default"), or (iii) upon the request of any Holder (other than a Purchaser) who is not eligible to participate in the Exchange Offer, or (iv) upon the request of any Purchaser (with respect to any Registrable Securities which it acquired directly from the Issuers) following the consummation of the Exchange Offer if such Purchaser shall hold Registrable Securities which it acquired directly from the Issuers and if such Purchaser is not permitted, in the opinion of counsel to such Purchaser, pursuant to applicable law or applicable interpretation of the Staff, to participate in the Exchange Offer, the Issuers shall, at their expense:

(A) as promptly as practicable, file with the SEC a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by the Majority Holders of such Registrable Securities and set forth in such Shelf Registration Statement, and use its best efforts to cause such Shelf Registration Statement to be declared effective by the SEC by the 180th day after the Closing Date (or promptly in the event of a request by any Holder pursuant to clause (iii) above or any Purchaser pursuant to clause (iv) above). In the event that the Issuers are required to file a Shelf Registration Statement

upon the request of any Holder (other than a Purchaser) not eligible to participate in the Exchange Offer pursuant to clause (iii) above or upon the request of any Purchaser pursuant to clause (iv) above, the Issuers shall file and have declared effective by the SEC both an Exchange Offer Registration Statement pursuant to Section 2(a) with respect to all Registrable Securities and a Shelf Registration Statement (which may be a combined Registration Statement with the Exchange Offer Registration Statement) with respect to offers and sales of Registrable Securities held by such Holder or such Purchaser after completion of the Exchange Offer. If the Issuers file a Shelf Registration Statement pursuant to Section 2(b)(i) or (ii) hereof, they will no longer be required to effect the Exchange Offer;

(B) use their best efforts to keep the Shelf Registration Statement continuously effective, in order to permit the Prospectus forming part thereof to be usable by Holders, until the end of the period referred to in Rule 144(k) (or one year from the Closing Date if such Shelf Registration Statement is filed upon the request of any Purchaser pursuant to clause (iv) above) or such shorter period as shall end when all of the Registrable Securities covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or may be freely sold pursuant to Rule 144 under the Securities Act; and

(C) notwithstanding any other provisions hereof, use their best efforts to ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any supplement thereto complies in all material respects with the 1933 Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any supplement to such Prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

The Issuers further agree, if necessary, to supplement or amend the Shelf Registration Statement if reasonably requested by the Majority Holders with respect to information relating to the Holders and otherwise as required by Section 3(b) below, to use their best efforts to cause any such amendment to become effective and such Shelf Registration Statement to become usable as soon as practicable thereafter and to furnish to the Holders of Registrable Securities copies of any such supplement or amendment promptly after its being used or filed with the SEC.

The Issuers shall be allowed a period of five days, beginning on the first day a

Registration Default occurs, to cure such Registration Default before the Issuers will be required to comply with the requirements of Section 2(b).

(c) Expenses. The Issuers, jointly and severally, shall pay all Registration Expenses in connection with the registration pursuant to Section 2(a) or 2(b) and, in the case of any Shelf Registration Statement, will reimburse the Holders or Purchasers for the reasonable fees and disbursements of one firm or counsel designated in writing by the Majority Holders to act as counsel for the Holders of the Registrable Securities in connection therewith. Each Holder shall pay all expenses of its counsel, other than as set forth in the preceding sentence, underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Holder's Registrable Securities pursuant to the Shelf Registration Statement.

(d) Effective Registration Statement. (i) The Issuers will be deemed not to have used their best efforts to cause the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, to become, or to remain, effective during the requisite period if any Issuer voluntarily takes any action that would result in any such Registration Statement not being declared effective or in the Holders of Registrable Securities covered thereby not being able to exchange or offer and sell such Registrable Securities during that period unless (A) such action is required by applicable law or (B) such action is taken by the Issuers in good faith and for valid business reasons (not including avoidance of the Issuers' obligations hereunder), including, without limitation, the acquisition or divestiture of assets, so long as the Issuers promptly comply with the requirements of Section 3(j) hereof, if applicable.

(ii) An Exchange Offer Registration Statement pursuant to Section 2(a) hereof or a Shelf Registration Statement pursuant to Section 2(b) hereof will not be deemed to have become effective unless it has been declared effective by the SEC; provided, however, that if, after it has been declared effective, the offering of Registrable Securities pursuant to a Registration Statement is interfered with by any stop order, injunction or other order or requirement of the SEC or any other governmental agency or court, such Registration Statement will be deemed not to have been effective during the period of such interference, until the offering of Registrable Securities pursuant to such Registration Statement may legally resume.

(e) Increase in Interest Rate. In the event that no Registration Event has occurred on or prior to the 210th day after the Closing Date, the interest rate per annum payable in respect of the Registrable Securities shall be increased by 0.50%, effective from and including such 210th day, to but excluding the earlier of (i) the date on which a Registration Event occurs and (ii) the date on which there cease to be any Registrable Securities. In the event that the Shelf Registration Statement (if it is filed), after it is declared effective by the SEC, ceases to be effective at any time during the period specified by Section 2(b)(B) hereof for more than 60 days, whether or not consecutive, during any 12-month period, the interest rate payable in respect of the Registrable Securities shall be increased by 0.50% per annum from the 61st day of the

applicable 12-month period such Shelf Registration Statement ceases to be effective until such time as the Shelf Registration Statement again becomes effective (or, if earlier, the end of the period specified by Section 2(b)(B) hereof).

3. Registration Procedures. In connection with the obligations of the Issuers with respect to the Registration Statements pursuant to Sections 2(a) and 2(b) hereof, the Issuers shall:

(a) prepare and file with the SEC a Registration Statement, within the time period specified in Section 2, on the appropriate form under the 1933 Act, which form (i) shall be selected by the Issuers, (ii) shall, in the case of a Shelf Registration, be available for the sale of the Registrable Securities by the selling Holders thereof and (iii) shall comply as to form in all material respects with the requirements of the applicable form;

(b) prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary under applicable law to keep such Registration Statement effective for the applicable period; cause each Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the 1933 Act;

(c) in the case of a Shelf Registration, (i) notify each Holder of Registrable Securities when a Shelf Registration Statement with respect to the Registrable Securities has been filed and advise such Holders that the distribution of Exchange Securities will be made in accordance with the method elected by the Majority Holders; (ii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all reports, other documents and exhibits (including those incorporated by reference) at the expense of the Issuers, (iii) furnish to each Holder of Registrable Securities included within the coverage of the Shelf Registration Statement, to counsel for the Holders and to each underwriter of an underwritten offering of Registrable Securities, if any, without charge, as many copies of each Prospectus, including each preliminary Prospectus, and any amendment or supplement thereto as such Holder or underwriter may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities; and (iv) subject to the last paragraph of this Section 3, consent to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders of Registrable Securities included in the Shelf Registration Statement in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto;

(d) use their best efforts to register or qualify the Registrable Securities or

cooperate with the Holders of Registrable Securities and their counsel in the registration or qualification of such Registrable Securities under all applicable state securities or "blue sky" laws of such jurisdictions as any Holder of Registrable Securities covered by a Registration Statement and each underwriter of an underwritten offering of Registrable Securities shall reasonably request in writing to cooperate with the Holders in connection with any filings required to be made with the NASD, and do any and all other acts and things which may be reasonably necessary or advisable to enable such Holders to consummate the disposition in each such jurisdiction of such Registrable Securities owned by such Holders; provided, however, that in no event shall any Issuer be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d) or (ii) take any action which would subject it to general service of process or taxation in any such jurisdiction if it is not then so subject;

(e) in the case of a Shelf Registration, notify each Holder of Registrable Securities promptly and, if requested by such Holder or counsel, confirm such advice in writing promptly (i) when a Shelf Registration Statement has become effective and when any post-effective amendments and supplements thereto become effective, (ii) of any request by the SEC or any state securities authority for post-effective amendments and supplements to a Shelf Registration Statement and Prospectus or for additional information after the Shelf Registration Statement has become effective, (iii) of the issuance by the SEC or any state securities authority of any stop order suspending the effectiveness of a Shelf Registration Statement or the initiation of any proceedings for that purpose, (iv) at the closing of any sale of Registrable Securities if, between the effective date of a Shelf Registration Statement and such closing, the representations and warranties of the Issuers contained in any underwriting agreement, securities sales agreement or other similar agreement, if any, relating to such offering cease to be true and correct in all material respects, (v) of the receipt by the Issuers of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the happening of any material event or the discovery of any material facts during the period a Shelf Registration Statement is effective which makes any statement made in such Registration Statement or the related Prospectus untrue or which requires the making of any changes in such Registration Statement or Prospectus in order to make the statements therein (in the case of the Prospectus in light of the circumstances under which they were made) not misleading and (vii) of any determination by the Issuers that a post-effective amendment to a Registration Statement would be appropriate;

(f) (A) in the case of the Exchange Offer, (i) include in the Exchange Offer Registration Statement a "Plan of Distribution" section covering the use of the Prospectus included in the Exchange Offer Registration Statement by broker-dealers who have

exchanged their Registrable Securities for Exchange Securities for the resale of such Exchange Securities, (ii) furnish to each broker-dealer who desires to participate in the Exchange Offer, without charge, as many copies of each Prospectus included in the Exchange Offer Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, as such broker-dealer may reasonably request, (iii) include in the Exchange Offer Registration Statement a statement that any broker-dealer who holds Registrable Securities acquired for its own account as a result of market-making activities or other trading activities (a "Participating Broker-Dealer"), and who receives Exchange Securities for Registrable Securities pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities, (iv) subject to the last paragraph of this Section 3, hereby consent to the use of the Prospectus forming part of the Exchange Offer Registration Statement or any amendment or supplement thereto, by any broker-dealer in connection with the sale or transfer of the Exchange Securities covered by the Prospectus or any amendment or supplement thereto, and (v) include in the transmittal letter or similar documentation to be executed by an exchange offeree in order to participate in the Exchange Offer (x) the following provision:

> "If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Registrable Securities, it represents that the Registrable Securities to be exchanged for Exchange Securities were acquired by it as a result of market-making activities or other trading activities and acknowledges that it will deliver a prospectus meeting the requirements of the 1933 Act in connection with any resale of such Exchange Securities pursuant to the Exchange Offer; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the 1933 Act";

and (y) a statement to the effect that by a broker-dealer making the acknowledgment described in subclause (x) and by delivering a Prospectus in connection with the exchange of Registrable Securities, the broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the 1933 Act;

(B) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to cause to be delivered at the request of an entity representing the Participating Broker-Dealers (which entity shall be one of the Purchasers, unless it elects not to act as such representative) only one, if any, "cold comfort" letter with respect to the Prospectus in the form existing on the last date for which exchanges are accepted

pursuant to the Exchange Offer and with respect to each subsequent amendment or supplement, if any, effected during the period specified in clause (C) below;

(C) to the extent any Participating Broker-Dealer participates in the Exchange Offer, use its best efforts to maintain the effectiveness of the Exchange Offer Registration Statement for the 180-day period specified in clause (D) below; and

(D) not be required to amend or supplement the Prospectus contained in the Exchange Offer Registration Statement as would otherwise be contemplated by Section 3(b), or take any other action as a result of this Section 3(f), for a period extending beyond 180 days after the last date for which exchanges are accepted pursuant to the Exchange Offer (as such period may be extended by the Issuers) and Participating Broker-Dealers shall not be authorized by the Issuers to, and shall not, deliver such Prospectus after such period in connection with resales contemplated by this Section 3;

(g) (A) in the case of an Exchange Offer, furnish counsel for the Purchasers and (B) in the case of a Shelf Registration, furnish counsel for the Holders of Registrable Securities copies of any request by the SEC or any state securities authority for amendments or supplements to a Registration Statement and Prospectus or for additional information;

(h) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement as soon as practicable and provide immediate notice to each Holder of the withdrawal of any such order;

(i) unless any Registrable Securities are in book entry form only, in the case of a Shelf Registration, cooperate with the selling Holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold free from any restrictive legends; and cause such Registrable Securities to be in such denominations (consistent with the provisions of the Indenture) and registered in such names as the selling Holders or the underwriters, if any, may reasonably request at least one Business Day prior to the closing of any sale of Registrable Securities;

(j) in the case of a Shelf Registration, upon the occurrence of any event or the discovery of any facts, each as contemplated by Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, use its best efforts to prepare a post-effective amendment to a Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, such Prospectus will not contain at the time of such delivery any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in

light of the circumstances under which they were made, not misleading. The Issuers agree to notify each Holder to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event, and each Holder hereby agrees to suspend use of the Prospectus as promptly as practicable upon receipt of such notice until the Issuers have amended or supplemented the Prospectus to correct such misstatement or omission, provided that the Issuers shall cause such suspension not to last more than 30 days per occurrence or more than 60 days in aggregate in a calendar year. At such time as such public disclosure is otherwise made or the Issuers determine that such disclosure is not necessary, in each case to correct any misstatement of a material fact or to include any omitted material fact, the Issuers agree promptly to notify each Holder of such determination and to furnish each Holder such numbers of copies of the Prospectus, as amended or supplemented, as such Holder may reasonably request;

(k) obtain a CUSIP number for all Exchange Securities, or Registrable Securities, as the case may be, not later than the effective date of an Exchange Offer Registration Statement or Shelf Registration Statement, as the case may be, and provide the Trustee with printed certificates evidencing the Exchange Securities or the Registrable Securities, as the case may be, held in book entry form, in a form eligible for deposit with DTC;

(l) (i) cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended (the "TIA"), in connection with the registration of the Exchange Securities, or Registrable Securities, as the case may be, (ii) cooperate with the Trustees and the Holders to effect such changes to the Indenture as may be required for the Indenture to be so qualified in accordance with the terms of the TIA and (iii) execute, and use its best efforts to cause the Trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable the Indenture to be so qualified in a timely manner;

(m) in the case of a Shelf Registration, enter into such customary agreements (including underwriting agreements in customary form) and take all other customary and appropriate actions (including those reasonably requested by the Holders of a majority in principal amount of Registrable Securities being sold) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration:

(i) make such representations and warranties to the Holders of such Registrable Securities and the underwriters, if any, in form, substance and scope as are customarily made by the Issuers to underwriters in similar underwritten offerings as may be reasonably requested by them;

(ii) obtain an opinion of counsel to each Issuer (who may be the general counsel of the Guarantor) and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, or if there are no such managing underwriters, to the Holders of a majority in principal amount of the Registrable Securities being sold) addressed to each selling Holder and the underwriters, if any, covering the matters customarily covered in opinions requested in sales of securities or underwritten offerings and such other matters as may be reasonably requested by such Holders and underwriters;

(iii) obtain a "cold comfort" letter and updates thereof from the Issuers' independent certified public accountants addressed to the underwriters, if any, and will use its best efforts to have such letter addressed to the selling Holders of Registrable Securities, such letter to be in customary form and covering such matters of the type customarily covered in "cold comfort" letters in connection with similar underwritten offerings as the Holders of a majority in principal amount of the Registrable Securities being sold shall request;

(iv) enter into a securities sales agreement with the Holders and an agent of the Holders providing for, among other things, the appointment of such agent for the selling Holders for the purpose of soliciting purchases of Registrable Securities, which agreement shall be in form, substance and scope customary for similar offerings;

(v) if an underwriting agreement is entered into, cause the same to set forth indemnification provisions and procedures substantially equivalent to the indemnification provisions and procedures set forth in Section 5 hereof with respect to all parties to be indemnified pursuant to said Section; and

(vi) deliver such other documents and certificates as may be reasonably requested by Holders of a majority in principal amount of Registrable Securities being sold, and as are customarily delivered in similar offerings.

The above shall be done at (i) the effectiveness of such Registration Statement (and, if appropriate, each post-effective amendment thereto) if appropriate in connection with any particular disposition of Registrable Securities and (ii) each closing under any underwriting or similar agreement as and to the extent required thereunder. In the case of any underwritten offering, the Issuers shall provide written notice to the Holders of all Registrable Securities of such underwritten offering at least 30 days prior to the filing of a prospectus supplement for such underwritten offering. Such notice shall (x) offer each such Holder the right to participate in such underwritten offering, (y) specify a date,

which shall be no earlier than 10 days following the date of such notice, by which such Holder must inform the Issuers of its intent to participate in such underwritten offering and (z) include the instructions such Holder must follow in order to participate in such underwritten offering;

(n) in the case of a Shelf Registration, make available for inspection by representatives of the Holders of the Registrable Securities and any underwriters participating in any disposition pursuant to a Shelf Registration Statement and any counsel or accountant retained by such Holders or underwriters, all financial and other records, pertinent corporate documents and properties of the Issuers reasonably requested by it, and cause the respective officers, directors, employees, and any other agents of each Issuer to make reasonably available all relevant information reasonably requested by any such representative, underwriter, counsel or accountant in connection with a Registration Statement, in each case as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Issuers, in good faith, as confidential at the time of delivery of such information shall be kept confidential by such representatives, underwriters, counsel or accountant, unless such disclosure is made in connection with a court proceeding or required by law, or such information becomes available to the public generally or through a third party without an accompanying obligation of confidentiality; and provided further that the foregoing inspection and information gathering shall, to the extent reasonably possible, be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by and on behalf of such Holders and other parties;

(o) (i) a reasonable time prior to the filing of any Exchange Offer Registration Statement, any Prospectus forming a part thereof, any amendment to an Exchange Offer Registration Statement or amendment or supplement to a Prospectus, provide copies of such document to the Purchasers, and use their best efforts to reflect in any such document when filed such comments as any of the Purchasers or their counsel may reasonably request; (ii) in the case of a Shelf Registration, a reasonable time prior to filing any Shelf Registration Statement, any Prospectus forming a part thereof, any amendment to such Shelf Registration Statement or amendment or supplement to such Prospectus, provide copies of such document to the Holders of Registrable Securities, to the Purchasers, to counsel on behalf of the Holders and to the underwriter or underwriters of an underwritten offering of Registrable Securities, if any, and use its best efforts to reflect such comments in any such document when filed as the Holders of Registrable Securities, their counsel and any underwriter may reasonably request; and (iii) cause the representatives of the Issuers to be available for discussion of such document as shall be reasonably requested by the Holders of Registrable Securities, the Purchasers on behalf of such Holders or any underwriter and shall not at any time make any filing of any such document of which such Holders, the Purchasers on behalf of such Holders, their counsel

or any underwriter shall not have previously been advised and furnished a copy or to which such Holders, the Purchasers on behalf of such Holders, their counsel or any underwriter shall reasonably object;

(p) in the case of a Shelf Registration, use their best efforts to cause the Registrable Securities to be rated with the appropriate rating agencies at the time of effectiveness of such Shelf Registration Statement, unless the Registrable Securities are already so rated; and

(q) otherwise use their efforts to comply with all applicable rules and regulations of the SEC and make generally available to its security holders, as soon as reasonably practicable after the effective date of a Registration Statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

In the case of a Shelf Registration Statement, the Issuers may (as a condition to such Holder's participation in the Shelf Registration) require each Holder of Registrable Securities to furnish to the Issuers such information regarding such Holder and the proposed distribution by such Holder of such Registrable Securities as the Issuers may from time to time reasonably request and the Issuers may exclude from such registration the Registrable Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

In the case of a Shelf Registration Statement, each Holder agrees that, upon receipt of any notice from the Issuers of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Shelf Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3(j) hereof, and, if so directed by the Issuers, such Holder will deliver to the Issuers (at the Issuers' expense) all copies in its possession other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. If the Issuers shall give any such notice to suspend the disposition of Registrable Securities pursuant to a Shelf Registration Statement as a result of the happening of any event or the discovery of any facts, each of the kind described in Sections 2(d)(i)(B) or 3(e)(ii)-(vi) hereof, the Issuers shall be deemed to have used their best efforts to keep the Shelf Registration Statement effective during such period of suspension provided that the Issuers shall use their best efforts to file and have declared effective (if an amendment) as soon as practicable an amendment or supplement to the Shelf Registration Statement and shall extend the period during which the Registration Statement shall be maintained effective pursuant to this Agreement by the number of days during the period from and including the date of the giving of such notice to and including the date when the Holders shall have received copies of

the supplemented or amended Prospectus necessary to resume such dispositions.

4. Underwritten Offering. The Holders of Registrable Securities covered by a Shelf Registration Statement who desire to do so may sell such Registrable Securities in an underwritten offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto will be approved by, the Holders of a majority of the Registrable Securities to be included in such offering; provided, however, that (i) such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to the Issuers and (ii) the Issuers shall not be obligated to arrange for more than one underwritten offering during the period such Shelf Registration Statement is required to be effective pursuant to Section 2(b)(B) hereof. No Holder may participate in any underwritten offering contemplated hereby unless such Holder (a) agrees to sell such Holder's Registrable Securities in accordance with any approved underwriting arrangements, (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements and (c) at least 20% of the outstanding Registrable Securities are included in such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any expenses customarily borne by selling securityholders, including underwriting discounts and commissions and fees and expenses of counsel to the selling securityholders.

5. Indemnification and Contribution. (a) Each of the Issuers agrees, jointly and severally, to indemnify and hold harmless each Holder and each person, if any, who controls any Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, from and against all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred by any Holder or any such controlling person in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement (or any amendment thereto) pursuant to which Exchange Securities or Registrable Securities were registered under the 1933 Act, including all documents incorporated therein by reference, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or caused by any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Holder furnished to the Issuers in writing by any selling Holder expressly for use therein; provided, however, that the foregoing indemnity agreement with respect to any preliminary

Prospectus shall not inure to the benefit of any Person from whom the Person asserting any such losses, claims, damages or liabilities purchased Registrable Securities, or any person controlling such seller, if a copy of the final Prospectus (as then amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such seller to such purchaser with or prior to the written confirmation of the sale of the Registrable Securities to such Person, and if the final Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities. In connection with any underwritten offering permitted by Section 4, the Issuers will also, jointly and severally, indemnify the underwriters participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the 1933 Act and the 1934 Act) to the same extent as provided above with respect to the indemnification of the Holders, if requested in connection with any Registration Statement.

(b) Each Holder agrees, severally and not jointly, to indemnify and hold harmless each Issuer and the other selling Holders, and each of their respective directors, officers who sign the Registration Statement and each Person, if any, who controls any Issuer and any other selling Holder within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act to the same extent as the foregoing indemnity from the Issuers to the Holders, but only with reference to information relating to such Holder furnished to the Issuers in writing by such Holder expressly for use in any Registration Statement (or any amendment thereto) or any Prospectus (or any amendment or supplement thereto).

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to either paragraph (a) or paragraph (b) above, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Majority Holders in the case of parties indemnified pursuant to paragraph (a) above and

by the Issuers in the case of parties indemnified pursuant to paragraph (b) above. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested in writing an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 90 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party for such fees and expenses of counsel in accordance with such request prior to the date of such settlement, unless such fees and expenses are being disputed in good faith. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which such indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) If the indemnification provided for in paragraph (a) or paragraph (b) of this Section 5 is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Issuers and the Holders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers or by the Holders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 5(d) are several in proportion to the respective aggregate principal amount of Registrable Securities of such Holder that were registered pursuant to a Registration Statement.

(e) Each Issuer and each Holder agree that it would not be just or equitable if contribution pursuant to this Section 5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (d) above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in paragraph (d) above shall be deemed to

include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5, no Holder shall be required to indemnify or contribute any amount in excess of the amount by which the total price at which Registrable Securities were sold by such Holder exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

The indemnity and contribution provisions contained in this Section 5 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder or any person controlling any Holder, or by or on behalf of the Issuers, their respective officers or directors or any person controlling the Issuers, (iii) acceptance of any of the Exchange Securities and (iv) any sale of Registrable Securities pursuant to a Shelf Registration Statement.

6. Miscellaneous. (a) Rule 144 and Rule 144A. For so long as the Guarantor is subject to the reporting requirements of Section 13 or 15 of the 1934 Act (and, if at any time any Note Issuer becomes subject to such requirements (the "Reporting Note Issuer"), for so long as it is a Reporting Note Issuer), the Guarantor (and any Reporting Note Issuer) covenants that it will file the reports required to be filed by it under Section 13(a) or 15(d) of the 1934 Act and the rules and regulations adopted by the SEC thereunder, that if it ceases to be so required to file such reports, it will upon the request of any Holder of Registrable Securities (i) make publicly available such information as is necessary to permit sales pursuant to Rule 144 under the 1933 Act, (ii) deliver such information to a prospective purchaser as is necessary to permit sales pursuant to Rule 144A under the 1933 Act and it will take such further action as any Holder of Registrable Securities may reasonably request, and (iii) take such further action that is reasonable in the circumstances, in each case, to the extent required from time to time to enable such Holder to sell its Registrable Securities without registration under the 1933 Act within the limitation of the exemptions provided by (x) Rule 144 under the 1933 Act, as such Rule may be amended from time to time, (y) Rule 144A under the 1933 Act, as such Rule may be amended from time to time, or (z) any similar rules or regulations hereafter adopted by the SEC. Upon the request of any Holder of Registrable Securities, the Guarantor (and any Reporting Note Issuer) will deliver to such Holder a written statement as to whether it has complied with such requirements.

(b) Other Registration Rights. The Issuers may grant registration rights that would permit any Person the right to piggyback on any Shelf Registration Statement, provided

that if the managing underwriter, if any, of an offering pursuant to such Shelf Registration Statement delivers an opinion of the selling Holders that the total amount of securities which they and the holders of such piggyback rights intend to include in any Shelf Registration Statement materially adversely affects the success of such offering (including the price at which such securities can be sold), then the amount, number or kind of securities to be offered for the account of holders of such piggyback rights will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number or kind recommended by such managing underwriter; and provided further that such piggyback registration rights shall in no event materially adversely affect the interests of any Holder.

(c) No Inconsistent Agreements. The Issuers have not entered into nor will the Issuers on or after the date of this Agreement enter into any agreement which is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof.

(d) Amendments and Waivers. Except as otherwise expressly permitted in the Indenture, the provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given unless the Issuers have obtained the written consent of Holders of at least a majority in aggregate principal amount of the outstanding Registrable Securities affected by such amendment, modification, supplement, waiver or departure; provided, however, that no amendment, modification, supplement or waiver or consent to any departure from the provisions of Section 5 hereof shall be effective as against any Holder of Registrable Securities unless consented to in writing by such Holder.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, telex, telecopier, or any courier guaranteeing overnight delivery (i) if to a Holder, at the most current address given by such Holder to the Issuers by means of a notice given in accordance with the provisions of this Section 6(e), which address initially is, with respect to the Purchasers, the address set forth in the Purchase Agreement; and (ii) if to the Issuers, initially at each Issuer's address set forth in the Purchase Agreement and thereafter at such other address, notice of which is given in accordance with the provisions of this Section 6(e).

All such notices and communications shall be deemed to have been duly given; at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt is acknowledged, if telecopied; and on the next Business Day if timely delivered to an air courier guaranteeing overnight delivery.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and

be binding upon the successors, assigns and transferees of each of the parties, including, without limitation and without the need for an express assignment, subsequent Holders; provided that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) Third Party Beneficiaries. The Holders shall be third party beneficiaries to the agreements made hereunder and to the obligations of the Issuers hereunder and shall have the right to enforce such agreements and obligations directly to the extent any such Holder deems such enforcement necessary or advisable to protect its rights hereunder.

(h) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(i) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(j) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(k) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Termination. This Agreement shall terminate and be of no further force or effect when there shall not be any Registrable Securities outstanding, except that the provisions of Sections 2(c), 2(e), 5, 6(g) and 6(j) hereof shall survive any such termination.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CALAIR L.L.C.

By: CALFINCO, Inc.,
Its Managing Member

By: /s/ JEFFREY J. MISNER

Name: Jeffrey J. Misner
Title: Vice President - Treasury Operations

CALAIR CAPITAL CORPORATION

By: /s/ JEFFREY J. MISNER

Name: Jeffrey J. Misner
Title: Vice President - Treasury Operations

CONTINENTAL AIRLINES, INC.

By: /s/ GERALD LADERMAN

Name: Gerald Laderman
Title: Vice President - Corporate Finance

Confirmed and accepted as of
the date first above written:

CHASE SECURITIES INC.

By: /s/ LEAH S. SCHRAUDENBACH

Name: Leah S. Schraudenbach
Title: Vice President

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/ H. ANDREW BROWNFIELD

Name: H. Andrew Brownfield
Title:

MORGAN STANLEY & CO. INCORPORATED

By: /s/ HELEN MEATES

Name: Helen Meates
Title: Vice President

EXHIBITS 5.1, 8.1 AND 23.2

Houston, Texas
July 31, 1998

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

Calair L.L.C.
c/o CALFINCO Inc.
2929 Allen Parkway, Suite 2010
Houston, Texas 77019

Calair Capital Corporation
2929 Allen Parkway, Suite 2010
Houston, Texas 77019

Ladies and Gentlemen:

We have acted as special counsel to Continental Airlines, Inc., a Delaware corporation ("Continental"), Calair L.L.C., a Delaware limited liability company and an indirect subsidiary of Continental ("Calair"), and Calair Capital Corporation, a Delaware corporation and a direct, wholly owned subsidiary of Calair ("Calair Capital" and together with Calair, the "Note Issuers"), in connection with the proposed issuance by the Note Issuers of up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which will be fully and unconditionally guaranteed on an unsecured, senior basis by Continental, in exchange for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental (the "Old Notes"). The terms of the offer to exchange the Exchange Notes for the Old Notes (the "Exchange Offer") are described in a Registration Statement on Form S-4 to be filed by the Note Issuers and Continental with the Securities and Exchange Commission (the "Registration Statement"), for the registration of the Exchange Notes under the Securities Act of 1933, as amended (the "1933 Act"). The Old Notes have been, and the Exchange Notes will be, issued pursuant to an indenture dated as of April 1, 1998 (the "Indenture"), among Calair and Calair Capital, as joint and several obligors, Continental, as guarantor, and Bank One, N.A., as trustee (the "Trustee").

In rendering this opinion, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity with original documents of all documents submitted to us as certified or photostatic copies. We have also assumed the truth, accuracy and completeness of all representations, warranties and certifications made by the Note Issuers and Continental.

Based upon the foregoing and subject to the qualifications hereinafter set forth, we are of the opinion that the Exchange Notes have been duly authorized for issuance and, when the Registration Statement has become effective under the 1933 Act, and the Exchange Notes have been duly executed, issued and authenticated in accordance with the Indenture and issued and sold in exchange for the Old Notes as contemplated by the Registration Statement and in accordance with the Exchange Offer, the Exchange Notes will constitute valid and legally binding obligations of the Note Issuers and Continental, subject to (i) bankruptcy, insolvency, reorganization, moratorium, liquidation, rearrangement, fraudulent transfer, fraudulent conveyance and other similar laws (including court decisions) now or hereafter in effect and affecting the rights and remedies of creditors generally or providing for the relief of debtors, (ii) the refusal of a particular court to grant equitable remedies, including, without limitation, specific performance and injunctive relief, and (iii) general principles of equity (regardless of whether such remedies are sought in a proceeding in equity or at law).

We are further of the opinion that the statements contained in the prospectus constituting a part of the Registration Statement under the caption "TAX CONSIDERATIONS," as qualified therein, constitute an accurate description, in general terms, of the indicated United States federal income tax consequences to a holder of the purchase, ownership and disposition of the Exchange Notes.

We are members of the Texas Bar. The opinions expressed herein are limited exclusively to the federal laws of the United States of America, the laws of the State of Delaware and the laws of the State of New York, and we are expressing no opinion as to the effect of the laws of any other jurisdiction, domestic or foreign.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the statements made with respect to us under the caption "Legal Matters" in the prospectus included as part of the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations thereunder.

Very truly yours,

/s/ VINSON & ELKINS L.L.P.

VINSON & ELKINS L.L.P.

EXHIBIT 10.1

SALE AGREEMENT

between

Continental Airlines, Inc.

and

Calair L.L.C.

dated as of

April 17, 1998

TABLE OF CONTENTS

Exhibits:

1.

SALE AGREEMENT

This Sale Agreement (this "Agreement") is made and entered into on this 17th day of April, 1998, by and between Continental Airlines, Inc., a Delaware corporation ("CAL"), and Calair L.L.C., a Delaware limited liability company ("Calair").

RECITALS

Pursuant to this Agreement, CAL desires to sell to Calair, and Calair desires to purchase from CAL, each of the Subject Slots (as defined below), upon and subject to the terms and conditions contained herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I: DEFINED TERMS

CALFINCO: CALFINCO, Inc., a Delaware corporation.

CLOSING: The consummation of the sale of the Subject Slots.

CLOSING DATE: April 17, 1998.

CREDITORS' RIGHTS: Bankruptcy, insolvency or other laws relating to or affecting generally the enforcement of creditors' rights and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

ENCUMBRANCE: Any mortgage, lien, security interest, pledge, charge, encumbrance, claim, restriction or burden.

GOVERNMENTAL AUTHORITY(IES): Individually, any one of, and collectively, any two or more of, the United States of America or any other foreign country or jurisdiction, any state, commonwealth, territory or possession thereof and any political subdivision of any of the foregoing, including but not limited to courts, departments, commissions, boards, bureaus, agencies or other instrumentalities.

LEGAL REQUIREMENTS: Any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation of, including the terms of any license or permit issued by, any Governmental Authority.

PERSON: Any individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization or association or other entity.

SLOT. As defined in Section 93.213 of the Slot Regulations.

SLOT REGULATIONS. The Federal Aviation Regulations, Title 14 Code of Federal Regulations, Part 93, Subpart S, as amended, or any successor provisions or regulations.

SLOT LEASE: That certain Slot Lease Agreement, dated as of even date herewith, between CAL and Calair, pursuant to which Calair will lease the Subject Slots to CAL.

SUBJECT SLOT(S): Individually, any one of, and collectively, any two or more of, the Slots listed on Exhibit A attached hereto.

ARTICLE II: SALE OF SUBJECT SLOTS

Section 2.01. SALE OF SUBJECT SLOTS. At the Closing, and on and subject to the terms and conditions of this Agreement, Calair agrees to purchase from CAL, and CAL agrees to sell to Calair, the Subject Slots, for the consideration specified below in Section 2.03(a).

Section 2.02. THE CLOSING. The Closing shall take place at the offices of Millbank, Tweed, Hadley & McCloy, Chase Manhattan Plaza, New York, New York 10005, commencing at 9 a.m. local time on the Closing Date.

Section 2.03. DELIVERIES AT CLOSING. At the Closing, the following shall occur:

(a) As full consideration for sale of the Subject Slots, Calair shall pay to CAL at the Closing by Calair's delivery by wire transfer of $151,140,000, in immediately available funds, to The Chase Manhattan Bank, 270 Park Avenue, New York, New York, 10017, ABA No. 021000021, Account No. 910-2-499291, Reference "Calair";

(b) CAL shall deliver to Calair a Deed of Conveyance and Assignment of Slots, substantially in the form of Exhibit B attached hereto, evidencing the transfer of the Subject Slots from CAL to Calair; and

(c) Opinions addressed, in form and substance satisfactory, and from Persons acceptable, to Calair and the Members of Calair, in their sole and absolute discretion.

ARTICLE III: REPRESENTATIONS AND WARRANTIES OF CAL

CAL hereby represents and warrants to Calair as follows:

Section 3.01. AUTHORITY. CAL has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by CAL and the consummation by CAL of the transactions contemplated hereby have been duly and validly authorized by CAL, and no other proceedings on the part of CAL are required in connection with such authorization. This Agreement has been duly and validly executed and delivered by CAL and, assuming the due

authorization, execution and delivery by Calair, constitutes a legal, valid and binding obligation of CAL, enforceable against CAL in accordance with its terms, subject, as to enforceability, to Creditors' Rights.

Section 3.02. NO CONFLICT. The execution and delivery of this Agreement by CAL does not, and the performance of this Agreement by CAL will not:

(a) conflict with or violate any voting, trust or other material agreement of CAL;

(b) conflict with or violate any Legal Requirements, or any material order, judgment or decree applicable to CAL;

(c) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of any of the Subject Slots;

(d) result in the creation of an Encumbrance (other than the Encumbrances created by the Security Agreement (Calair)) on any of the Subject Slots pursuant to any note, indenture, agreement, lease, license, permit or other instrument or obligation to which CAL is a party or by which CAL or the Subject Slots are bound or affected;

(e) require the approval, consent or authorization of, or require any filing with, any Governmental Authorities or other Persons, in each case except (i) where such breach or default or failure to obtain such approvals, consents or authorizations, or to make such filings, would not prevent or delay the performance by CAL of its obligations under this Agreement, and (ii) for such filings as shall have been made as of the Closing Date;

(f) render CAL insolvent or leave CAL with insufficient capital or assets to operate its business or satisfy its obligations as and when they become due; or

(g) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under (i) that certain Credit Agreement, dated April 16, 1997, in the original principal amount of $160,000,000 among CAL, the "Lenders" party thereto, and The Chase Manhattan Bank, as Administrative Agent for "Lenders" party thereto, as such agreement may be amended from time to time, or (ii) that certain Credit Agreement, dated July 18, 1997, in the original principal amount of $575,000,000 among CAL, the "Lenders" and "Issuing Bank" party thereto, and The Chase Manhattan Bank, as Administrative Agent for "Lenders" and "Issuing Bank" party thereto, as such agreement may be amended from time to time.

Section 3.03. TITLE. Except as described on Schedule 3.03, CAL has good and valid title to the Subject Slots, free and clear of all Encumbrances;

Section 3.04. ORGANIZATION AND EXISTENCE. CAL (a) is a corporation that has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own and lease the properties it currently owns and leases and to carry on its business as now being conducted and (b) except where the failure to do so

could not reasonably be expected to result in a material adverse change in the financial condition of CAL, is duly licensed or qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which the character of the properties now owned or leased by it or the nature of the business now conducted by it requires it to be so qualified.

Section 3.05. LITIGATION. There are no actions, suits, proceedings or governmental investigations or inquiries pending, or to the knowledge of CAL, threatened, against CAL or its subsidiaries or any of their respective properties, assets, operations or businesses that, if adversely determined, would delay or prevent the consummation of the transactions contemplated hereby.

Section 3.06. GOVERNMENTAL APPROVALS. CAL has filed the letter attached hereto as Exhibit C with the FAA, and all required governmental approvals for the consummation of the transactions contemplated hereby, including any approvals of the FAA, have been obtained.

Section 3.07. FAIR VALUE. The transfer of the Subject Slots is not made with the intent to hinder, delay, or defraud any entity to which CAL is indebted, and the Purchase Price is "reasonably equivalent value" (within the meaning of 11 U.S.C. Section 548) for the Slots.

ARTICLE IV: MISCELLANEOUS

Section 4.01. CONSEQUENCES OF TERMINATION. No termination of this Agreement shall relieve any party hereto of any liability for a breach of this Agreement which occurs prior to such termination.

Section 4.02. SPECIFIC PERFORMANCE. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof in addition to any other remedy at law or in equity.

Section 4.03. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 4.04. AMENDMENTS. This Agreement may not be amended except by an instrument in writing signed by all of the parties.

Section 4.05. SEVERABILITY. If any term or provision of this Agreement is invalid, illegal or incapable or being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereby shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

Section 4.06. NOTICES. All notices, directions and other communications provided for hereunder shall be in writing and may be personally delivered, mailed (by registered or certified mail, postage prepaid) or sent by telecopy, telegraph or other direct written electronic means, to the applicable party at the address indicated below:

If to Calair L.L.C.:

Calair L.L.C.
c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Treasury Operations
Telecopy No.: 713-834-2448

With a copy to Chase Equity Associates, L.P.

c/o Chase Capital Partners, Inc.
380 Madison Avenue, 12th Floor
New York, New York 10017-2591
Attn: Brian J. Richmand
Telecopy No.: 212-622-3101

and a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Brian S. Rosen, Esq.
Telecopy No.: 212-310-8007

If to Continental Airlines, Inc.:

Continental Airlines, Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Corporate Finance
Telecopy No.: 713-834-2448

or as to any party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section 4.06. All such notices, when personally delivered shall be deemed to have been validly and effectively given on the date of such delivery, when transmitted by telegraph, telecopy or other direct written electronic means shall be deemed to have been validly and effectively given on the day on which it is transmitted, or, if mailed, shall be deemed to have been validly and effectively given when deposited in the mail.

Section 4.07. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflict of laws thereof (other than Section 5-1401 of the New York General Obligations Law).

Section 4.08. DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 4.09. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Upon execution of this Agreement, counterpart signature pages may be delivered by facsimile transmission.

Section 4.10 CAL INTEREST IN SUBJECT SLOTS.

(a) Upon the consummation of the transactions contemplated by this Agreement, CAL will have no interest in the Subject Slots other than those interests arising pursuant to the Slot Lease and CAL's ownership of the capital stock of Calfinco, a member of Calair; and

(b) Upon the consummation of the transactions contemplated by this Agreement, in the event that a case is commenced under Title 11 of the United States Code (the "Bankruptcy Code") by or against CAL, the Subject Slots shall not be deemed to be property of the estate of CAL in accordance with Section 541 of the Bankruptcy Code, and the parties hereto agree that the benefits of Section 362 of the Bankruptcy Code shall only extend to CAL's interests under the Slot Lease.

Section 4.11 INTENDED TAX TREATMENT. CAL and Calair intend that the transactions consummated at the Closing be treated, for federal income tax purposes, as a sale of the Subject Slots by CAL to Calair. Furthermore, CAL and Calair hereby covenant and agree that each shall file federal tax returns consistent with such intended treatment.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or have caused this Agreement to be duly executed on their respective behalf by their respective officers, managers, or Managing Members thereunto duly authorized, as of the date and year first above written.

CONTINENTAL AIRLINES, INC.

By: /s/ GERALD LADERMAN

Gerald Laderman
Vice President - Corporate Finance

CALAIR L.L.C.

By: CALFINCO Inc.,
Managing Member

By: /s/ JEFFREY J. MISNER

Jeffrey J. Misner
Vice President - Treasury Operations

EXHIBIT A

LIST OF SUBJECT SLOTS

A. CHICAGO O'HARE

	TIME	SLOT NO.
2.	07:15	7240*
3.	07:15	8270
4.	08:15	7664
5.	08:45	7742
6.	09:45	7796
7.	10:15	7475
8.	10:15	8659
9.	11:15	7971*
10.	11:45	8506*
11.	11:45	7439*
12.	12:15	8426*
13.	13:15	7609*
14.	13:45	7178*
15.	13:45	7377
16.	14:15	7320*
17.	14:15	8071*
18.	14:45	8316*
19.	14:45	7682
20.	15:15	8640
21.	15:45	7970*
22.	16:15	8327
23.	16:15	7659
24.	16:45	7924*
25.	16:45	8290
26.	17:15	7591*
27.	17:45	7743
28.	18:15	8200*
29.	18:15	7977
30.	18:15	7635*

* As of April 1998, licensed to a third-party commercial air carrier.

B. WASHINGTON NATIONAL

	TIME	SLOT NO.
1.	07:00	1209*
2.	07:00	1270
3.	07:00	1568
4.	08:00	1610
5.	08:00	1498*
6.	09:00	1637
7.	09:00	1453
8.	09:00	1335*
9.	10:00	1026
10.	11:00	1120*
11.	11:00	1067*
12.	11:00	1020
13.	12:00	1572*
14.	12:00	1368
15.	13:00	1069*
16.	13:00	1656
17.	13:00	1068
18.	14:00	1545
19.	14:00	1615
20.	14:00	1520
21.	15:00	1600
22.	15:00	1054
23.	15:00	1164*
24.	16:00	1156
25.	16:00	1111*
26.	16:00	1527*
27.	17:00	1071*
28.	17:00	1280
29.	18:00	1324*
30.	19:00	1095*
31.	19:00	1129*
32.	19:00	1294*
33.	19:00	1550*
34.	19:00	1301
35.	20:00	1279
36.	20:00	1640*
37.	20:00	1288*
38.	20:00	1448*
39.	21:00	1647
40.	21:00	1558
41.	21:00	1239

* As of April 1998, licensed to a third-party commercial air carrier.

C. LAGUARDIA - DEPARTURE

	TIME	SLOT NO.
1.	07:00	3851*
2.	08:30	3595*
3.	08:30	3336
4.	09:30	3181*
5.	10:00	3198*
6.	11:00	3663*
7.	12:00	3833
8.	13:00	3331
9.	13:30	3808
10.	14:30	3379*
11.	15:30	3363*
12.	16:30	3805
13.	17:00	3090*
14.	17:00	3274*
15.	17:30	3412*
16.	18:30	3398*
17.	19:30	3572

* As of April 1998, licensed to a third-party commercial air carrier.

D. LAGUARDIA - ARRIVAL

	TIME	SLOT NO.
1.	08:30	3077*
2.	09:00	3087
3.	10:30	3827*
4.	12:30	3582
5.	13:30	3108*
6.	15:30	3618*
7.	16:00	3091*
8.	16:00	3810*
9.	17:00	3678*
10.	17:30	3288*
11.	18:00	3173*
12.	18:30	3800
13.	19:00	3620*
14.	19:30	3679*
15.	21:30	3053*

* As of April 1998, licensed to a third-party commercial air carrier.

EXHIBIT B

FORM OF DEED OF CONVEYANCE AND ASSIGNMENT OF SLOTS

THIS DEED OF CONVEYANCE, made this 17th day of April 1998 by Continental Airlines, Inc., a Delaware corporation (hereinafter referred to as "Seller"), to Calair L.L.C., a Delaware limited liability company (hereinafter referred to as "Purchaser").

NOW, THEREFORE, for and in consideration of Ten and No/100 Dollars ($10.00) and other good and valuable consideration delivered to Seller by Purchaser, the receipt and sufficiency of which are hereby acknowledged, Seller has and hereby does assign, transfer, and convey unto Purchaser, its heirs, legal representatives, successors, successors-in-title and assigns, all of Seller's right, title and interest in and to the primary operating authority granted by the Federal Aviation Administration pursuant to Title 14 of the Code of Federal Regulations, Part 93, Subparts K & S, as amended from time to time, or any recodification thereof in any regulation, to conduct certain Instrument Flight Rule (as defined under the regulations promulgated under Federal Aviation Act of 1958, as amended) take-offs or landings in the specified periods, each of which is listed on Exhibit A attached hereto (collectively, the "Slots").

TO HAVE AND TO HOLD the Slots, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Purchaser and its successors and assigns, forever; and Seller does hereby bind itself and its successors and assigns to warrant and forever defend all and singular the Slots unto Purchaser, and its successors and assigns, against every person whosoever lawfully claiming or to claim the same or any part thereof.

SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY, QUALITY, CONDITION OR FITNESS FOR PARTICULAR USES OF THE SLOTS. THE SLOTS ARE SOLD IN AN "AS IS, WHERE IS" CONDITION, WITH ALL FAULTS.

IN WITNESS WHEREOF, Seller has caused this instrument to be executed by its duly authorized representative this the 17th day of April, 1998.

CONTINENTAL AIRLINES, INC.

By:

Gerald Laderman
Vice President

ACCEPTED:

CALAIR L.L.C.

By: CALFINCO, INC.,
Managing Member

By:

Jeffrey J. Misner
Vice President

EXHIBIT C
[CONTINENTAL AIRLINES, INC. LETTERHEAD]

April 17, 1998

Lorelei Peter, Manager
Airspace and Air Traffic Law Branch
Office of the Chief Counsel
Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591

Dear Ms. Peter:

Please be advised that, pursuant to 14 C.F. R. Part 93.221(a), Continental Airlines, Inc. has agreed to sell substantially all of its current take-off and landing rights at Chicago O'Hare, Ronald Reagan Washington National and LaGuardia airports, on this date, to Calair L.L.C., a Delaware limited liability company and a subsidiary of Continental Airlines, Inc. The slots involved in the transaction are attached hereto as Exhibit A. None of those slots is used for international or essential air service operations. Immediately upon the sale, Continental Airlines, Inc. will lease the slots back from Calair L.L.C. for a ten-year period.

This letter will serve as written evidence of consent by Continental Airlines, Inc. and Calair L.L.C. to the transfer of the slots listed on Exhibit A.

Please confirm transfer of the above-referenced slots to me by facsimile (telecopy no.: _____).

Respectfully submitted,

CONTINENTAL AIRLINES, INC.

By:

James W. von Atzingen
Managing Attorney - Finance

Acknowledged and Agreed:

CALAIR L.L.C.

By: CALFINCO, Inc., its managing member

By

Vice President
2929 Allen Parkway, Suite 2010
Houston, Texas 77019, tel: 713/834-2950

SCHEDULE 3.03

Title Exceptions

1. None

EXHIBIT 10.2

SLOT LEASE AGREEMENT

between

Continental Airlines, Inc.

and

Calair L.L.C.

dated as of

April 17, 1998

TABLE OF CONTENTS

SLOT LEASE AGREEMENT

This Slot Lease Agreement (this "LEASE") is made and entered into by and between CALAIR L.L.C. ("Lessor"), a limited liability company organized and existing under the laws of the State of Delaware, and CONTINENTAL AIRLINES, INC. ("LESSEE"), a corporation incorporated and existing under the laws of the State of Delaware; to be effective the 17th day of April, 1998, (the "COMMENCEMENT DATE").

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS. As used herein:

AFFILIATE. With respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any executive officer, director or general partner of such Person or (iii) any Person who is an executive officer, director, general partner, or trustee of any Person described in clauses (i) and (ii) of this sentence. For the purpose of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or agency or otherwise.

BUSINESS DAY. Any day other than a Saturday, Sunday, or other day on which commercial banks in the City of New York, or in Columbus, Ohio, are authorized by law to close.

CAL SALE AGREEMENT. That certain Sale Agreement, effective of even date with this Lease, by and between Lessor and Lessee.

CEA. Chase Equity Associates, L.P.

CLAIMS. As defined in Section 8 hereof.

COMMENCEMENT DATE. As defined in the first paragraph of this Lease.

ENCUMBRANCE: Any mortgage, lien, security interest, pledge, charge, encumbrance, claim, restriction or burden.

EVENT OF DEFAULT. As defined in Section 10 hereof.

FAA. The Federal Aviation Administration of the United States Department of Transportation or any successor agency.

GOVERNMENTAL AUTHORITY(IES): Individually, any one of, and collectively, any two or more of, the United States of America or any other foreign country or jurisdiction, any state, commonwealth, territory or possession thereof and any political subdivision of any of the foregoing, including but not limited to courts, departments, commissions, boards, bureaus, agencies or other instrumentalities.

IMPOSITIONS. As defined in Section 6 hereof.

INDEMNIFIED PERSON. As defined in Section 8 hereof.

LAW. Any law, treaty, statute, rule, regulation, order, code, judgment, decree, injunction, writ, requirement or decision of or agreement with or by any government or governmental department, commission, board, court, authority or agency having jurisdiction of the matter in question.

LIEN. Any mortgage, pledge, hypothecation, assignment, encumbrance, lien (statutory or otherwise), priority, security interest or other security device or arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code (as in effect from time to time in the relevant jurisdiction) or otherwise, or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

LLC AGREEMENT. That certain Amended and Restated Company Agreement of Calair L.L.C., effective of even date with this Lease.

LEASED SLOT(S): Individually, any one of, and collectively, any two or more of, the Slots listed on Exhibit A attached hereto, as the same may be replaced by Substitute Slots or Swapped Slots, or both.

OPERATIVE DOCUMENTS. Collectively, the LLC Agreement, the CAL Sale Agreement, this Lease, and the Redemption Option Agreement.

PERMITTED ENCUMBRANCES. (i) Bankers' rights of set-off for uncollected items and routine fees and expenses arising in the ordinary course of business, (ii) Liens created by or pursuant to, or expressly permitted under this Lease and the Operative Documents, (iii) Liens for taxes and other governmental charges and assessments (and other Liens imposed by Law) not yet delinquent or being contested in good faith and by proper proceedings and as to which appropriate reserves (in the good faith judgment of the relevant Person) are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors, (iv) restrictions on transfers of securities or voting under applicable Laws and (v) restrictions on the transfer of assets of Lessor under any Operative Documents.

PERSON: Any individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization or association or other entity.

PURCHASED SLOTS. As defined in Section 13(b) hereof.

REDEMPTION OPTION AGREEMENT. That certain Redemption Option Agreement, effective of even date with this Lease, between Lessor and Chase Equity Associates, L.P.

RENT. shall mean $8,141,931, and shall be payable in arrears on the 1st day of each April and October during the Term following the Commencement Date.

SLOT. As defined in Section 93.213 of the Slot Regulations.

SLOT REGULATIONS. The Federal Aviation Regulations, Title 14 Code of Federal Regulations, Part 93, Subpart S, as amended, or any successor provisions or regulations.

SLOT TRADE. A temporary "swap" of operating authority with respect to a Slot in exchange for operating authority with respect to another Slot or a temporary "slide" transaction with the FAA or equivalent Government Authority with respect to a Slot, in each case in accordance with standard airline industry practice.

SUBSTITUTE SLOTS. As defined in Section 13(c) hereof.

SWAPPED SLOTS. As defined in Section 13(b) hereof.

TERM. The term of this Lease, as specified in Section 3(a) hereof.

USE PROVISIONS. Section 93.227 of the Slot Regulations.

SECTION 2. LEASE OF SLOTS.

Subject to the terms and conditions of this Lease, Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, the Leased Slots for the Term.

SECTION 3. TERM AND RENT.

(a) The term of this Lease shall begin on the Commencement Date, unless Lessee has not received written confirmation of the Lease from the FAA pursuant to Section 93.221 of the Slot Regulations, in which case the term of this Lease shall begin on the date such written confirmation is received by Lessee, and shall continue until April 1, 2008, unless terminated earlier in accordance with the provisions of Section 11(a) hereof.

(b) All payments of Rent hereunder shall be made by wire transfer of immediately available funds not later than 12:30 p.m. (New York City time) on the 1st day of each April and October following the Commencement Date, and on the last Business Day of the Term, and shall be paid to Lessor at Account No. 323095852 at The Chase Manhattan Bank, ABA No. 021000021, 55 Water Street, New York, New York, 10041, or at such other account as Lessor may direct by notice in writing to Lessee. If any April 1 or October 1 of any year shall not be Business Day, then the payment of Rent shall be made on the next succeeding Business Day with the same force and effect as if made on the originally specified payment date for Rent; provided, however, that, if such payment of Rent is made on the next succeeding Business Day, no additional Rent shall accrue for

the period from and after such payment date to the next succeeding Business Day. The first installment of Rent shall be prorated based on the actual number of days since the Commencement Date, and the payment of Rent on the last day of the Term shall be prorated based on the actual number of days since the immediately preceding April 1st or October 1st, as applicable, in each case, divided by 182 or 183, as applicable.

(c) Other than a termination pursuant to Section 11(a) hereof, this Lease shall not terminate, nor shall the respective obligations of Lessor or Lessee be affected, by reason of any interference with the use of the Leased Slots by any private person, corporation or Governmental Authority, or the invalidity or unenforceability or lack of due authorization of this Lease or lack of right, power of authority of Lessor to enter into this Lease. It is the express intention of Lessor and Lessee that all Rent payable by Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

SECTION 4. REPRESENTATIONS, WARRANTIES AND COVENANTS.

(a) Lessee represents that Lessee is an air carrier certificated under 49 U.S.C. ss. 44705, that is authorized to use the Leased Slots under the Slot Regulations and Use Provisions.

(b) Lessee represents that Lessee has obtained all approvals necessary to consummate this transaction.

(c) Upon request by Lessor, Lessee shall provide Lessor with a copy of all use reports for the Leased Slots filed with the FAA by the Lessee pursuant to the Use Provisions promptly after such reports are delivered to the FAA.

(d) EXCEPT AS SET FORTH IN SECTION 5(B), LESSOR SHALL NOT BE DEEMED TO HAVE MADE AND LESSOR HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, AS TO THE LEASED SLOTS. LESSOR SHALL HAVE NO LIABILITY TO LESSEE FOR ANY CLAIM, LOSS OR DAMAGE OF ANY KIND OR NATURE WHATSOEVER (INCLUDING STRICT LIABILITY IN TORT) NOR SHALL THERE BE ANY ABATEMENT OF RENTAL, ARISING DIRECTLY OR INDIRECTLY OUT OF OR IN CONNECTION WITH (I) THE USE OF THE LEASED SLOTS, (II) ANY INTERRUPTION OR LOSS OF SERVICE OR USE OF THE LEASED SLOTS, OR (III) ANY LOSS OF BUSINESS OR OTHER CONSEQUENTIAL LOSS OR DAMAGE WHETHER OR NOT RESULTING FROM ANY OF THE FOREGOING. LESSEE WILL DEFEND, INDEMNIFY AND HOLD LESSOR HARMLESS AGAINST ANY AND ALL CLAIMS, DEMANDS, COSTS, EXPENSES, DAMAGES, LOSSES AND LIABILITIES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) ARISING OUT OF OR IN CONNECTION WITH THE USE OF THE LEASED SLOTS.

SECTION 5. ENCUMBRANCES.

(a) Other than Permitted Encumbrances and those Encumbrances arising pursuant to subleases and Slot Trades permitted by Section 9 hereof, (i) Lessee will not directly or indirectly

create, incur, assume any Encumbrances on its interest in the Leased Slots and (ii) Lessee will not directly or indirectly create, incur, or assume any Encumbrances on or with respect to the Leased Slots which challenge or in any way restrict Lessor's ownership interest in the Leased Slots (and Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any such Encumbrance). Lessee shall not be responsible for any Encumbrance created or incurred by Lessor with respect to the Leased Slots, other than Encumbrances created at the request of Lessee.

(b) Other than Permitted Encumbrances, Lessor will not directly or indirectly create, incur, assume or suffer to exist any Encumbrances on its title to or interest in the Leased Slots (and Lessor will promptly, at its own expense, take such action as may be necessary duly to discharge any such Encumbrance).

SECTION 6. IMPOSITIONS.

This Lease is intended to be a completely net lease. In connection therewith, Lessee agrees to pay and to indemnify Lessor for, and hold Lessor harmless from and against, all expenses and costs of any kind or nature whatsoever relating to the use, ownership, retention, maintenance, or sale of the Leased Slots, including without limitation, any and all income, franchise, sales, use, personal property, ad valorem, value added, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon ("IMPOSITIONS"), arising out of the transactions contemplated by this Lease and imposed against Lessor, Lessee, the Rent, or the Leased Slots by any federal, state, local or foreign government or taxing authority upon or with respect to the Leased Slots or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease unless, and only to the extent that, any such Imposition is being contested by Lessee in good faith and by appropriate proceedings and the nonpayment thereof or the contest thereof in such proceedings does not, in the written opinion of counsel for Lessee, delivered to and approved by Lessor, adversely affect the title, property or rights of Lessor. Notwithstanding the preceding sentence, Lessee shall have no liability with respect to (A) Impositions imposed upon or with respect to, based on, or measured by, net income (or in lieu thereof, gross income or receipts), capital, or net worth, (B) capital gains taxes, excess profits taxes, minimum and alternative minimum taxes, personal holding company taxes, succession taxes, estate taxes, doing business or franchise taxes, or similar taxes, (C) any Impositions, other than those described in clauses (A) and (B), that are imposed as a result of a sale, transfer of title, mortgaging, pledging, financing, or other disposition by Lessor of any of the Slots, or any interest in the Rent or part thereof or any interest in any Operative Document, other than (i) such Impositions resulting from any such sale, transfer of title, mortgaging, pledging, financing, or other dispositions requested by Lessee, and (ii) a disposition of any Slots resulting from the exercise of remedies under the Lease while an Event of Default has occurred and is continuing, (D) any Impositions caused by any act of Lessor other than any act contemplated or permitted by the Operative Documents, (E) any Impositions imposed by reason of the gross negligence or willful misconduct of Lessor, (F) any Impositions imposed with respect to periods prior to commencement of the Term or after the termination of the Lease, and (G) withholding taxes in respect of any of the items described in clauses (A) through (F) above. Lessee shall pay any and all costs and expenses incurred in any such contest, including any attorneys' fees incurred by Lessor. All amounts payable by Lessee under this Section shall be payable, to the extent not theretofore paid, on written demand of Lessor. In case any

report or return is required to be made with respect to any obligation of Lessee under this Section or arising out of this Section, Lessee will either (after notice to Lessor) make such report or return in such manner as will show the ownership of the Leased Slots in Lessor and send a copy of such report or return to Lessor or will notify Lessor of such requirement and make such report or return in such manner as shall be satisfactory to Lessor. Lessor agrees to cooperate fully with Lessee in the preparation of any such reports or returns.

SECTION 7. USE OF LEASED SLOTS.

(a) Lessee agrees that the Leased Slots will be used solely by Lessee (other than in connection with subleases and Slot Trades permitted by Section 9 hereof) and in compliance with any and all Laws applicable to the use of the Leased Slots. Throughout the term of this Lease, the use of the Leased Slots shall be at the sole cost, risk and expense of Lessee.

(b) Lessee shall have no interest in the Leased Slots other than those interests arising pursuant to this Lease and Lessee's ownership of the capital stock of CALFINCO, Inc., a Delaware corporation and a member of Lessor. Accordingly, Lessee agrees at its own cost and expense, to perform all acts reasonably requested by Lessor which are directed toward providing notice to third parties of Lessee's non-ownership interest in the Leased Slots, other than Lessee's leasehold interest hereunder, including, but not limited to, the execution of documents presented by Lessor which recite that Lessee does not have an ownership interest in the Leased Slots, other than Lessee's leasehold interest hereunder, and which are to be filed in the Office of the Secretary of State for each state where the Leased Slots are located.

(c) In the event that a case is commenced under Title 11 of the United States Code (the "Bankruptcy Code") by or against Lessee, the Leased Slots shall not be deemed to be property of the estate of Lessee in accordance with Section 541 of the Bankruptcy Code, and the parties hereto agree that the benefits of Section 362 of the Bankruptcy Code shall only extend to Lessee's interests under the Slot Lease.

(d) So long as no Event of Default under Section 10 hereof shall have occurred and be continuing, neither Lessor nor any Person claiming by, through, or under Lessor shall interfere with Lessee's use of the Leased Slots or any of Lessee's rights under this Lease.

SECTION 8. INDEMNIFICATION.

Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor and its successors, assigns, agents and servants (each such person being referred to as an "INDEMNIFIED PERSON") from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever ("CLAIMS") which may be imposed on, incurred by, or asserted against any Indemnified Person, whether or not any such Indemnified Person shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby, or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the use of the Leased Slots or

any accident in connection therewith; provided, however, that Lessee shall not be required to indemnify any Indemnified Person for (i) any Claim in respect of any Leased Slot arising from acts or events which occur after possession of such Leased Slot has been returned to Lessor, (ii) any Claim resulting from acts which would constitute the willful misconduct or gross negligence of any such Indemnified Person, or (iii) any Claim resulting from any breach by Lessor of its covenant in Section 7(c) hereof. The rights and indemnities of each Indemnified Person hereunder are expressly made for the benefit of, and shall be enforceable by, each Indemnified Person notwithstanding the fact that such Indemnified Person is either no longer a party to this Lease, or was not a party to this Lease at its outset.

SECTION 9. SUBLEASES AND SLOT TRADES.

So long as no Termination Event shall have occurred under the LLC Agreement, Lessee shall have the right to sublet, and to engage in Slot Trades with respect to, any of the Leased Slots, provided that such transaction is entered into in accordance with standard airline industry practice, or to assign any of its rights hereunder; provided, however, that (i) each Slot Trade shall expire on or before the eleventh (11th) anniversary of the Closing Date and (ii) no sublease shall extend beyond the Term without the consent of the Lessor and the members of Lessor; and provided, further, that if such Slot Trade or sublease extends beyond the Term, Lessor, or its assignee, shall have the sole right (a) to use any Slot received in such Slot Trade, and (b) to receive any proceeds from any such sublease that accrue (as determined in accordance with generally accepted accounting principles), after the expiration or earlier termination of the Term, including without limitation, any termination in accordance with the provisions of Section 11 hereof. No sublease, other relinquishment of the possession of any of the Leased Slots, or assignment by Lessee of any of its rights hereunder shall in any way discharge or diminish any of Lessee's obligations to Lessor hereunder.

SECTION 10. EVENTS OF DEFAULT.

Each of the following events shall constitute an Event of Default hereunder:

(a) Lessee shall fail to make any payment of Rent within 10 days after the date due; or

(b) Lessee shall make a general assignment for the benefit of creditors or consent to the appointment of a trustee or receiver for itself or for a substantial part of its property, or a trustee or a receiver shall be appointed for Lessee, for any of the Leased Slots, or for substantially all of Lessee's property without Lessee's consent and such appointment shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted by or against Lessee and, if instituted against Lessee, shall not be dismissed, stayed or withdrawn for a period of 60 days; or

(c) Lessee shall fail to comply with any term, provision or covenant of this Lease (other than the obligation to pay Rent), and such failure continues for 30 days after written notice from Lessor or any member of Lessor thereof to Lessee.

SECTION 11. REMEDIES.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to Lessee, and at any time thereafter, Lessor may exercise one or more of the following remedies, as Lessor in its sole discretion shall lawfully elect:

(i) Terminate this Lease by giving Lessee written notice thereof, in which event, Lessee shall pay to Lessor the sum of all Rent accrued hereunder and unpaid through the date of termination, and an amount equal to the total Rent that Lessee would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Discount Rate" as published on the date this Lease is terminated by The Wall Street Journal, Southwest Edition, in its listing under the heading "Money Rate", minus the then fair market value of the Leased Slots for such period, similarly discounted; or

(ii) Terminate Lessee's right to use the Leased Slots without terminating this Lease by giving written notice thereof to Lessee, in which event Lessee shall pay to Lessor all Rent during the remainder of the Term, diminished by any net sums thereafter received by Lessor through reletting the Leased Slots during such period (which reletting may be for a period less than or greater than the remainder of the Term). Lessor may, from time to time, bring action against Lessee to collect amounts due by Lessee hereunder and the costs and expenses associated with reletting the Leased Slots, without the necessity of Lessor's waiting until the expiration of the Term. Unless Lessor delivers written notice to Lessee expressly stating that it has elected to terminate this Lease, all actions taken by Lessor to prohibit Lessee's use of the Leased Slots shall be deemed to be taken under this Section 11(a)(ii). If Lessor elects to proceed under this Section 11(a)(ii), it may at any time elect to terminate this Lease under Section 11(a)(i).

(b) Lessee shall be liable for all reasonable costs, charges and expenses, including the costs and expenses associated with reletting the Leased Slots, and reasonable attorneys' fees and disbursements, incurred by Lessor by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. No express or implied waiver by Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

SECTION 12. NOTICES.

All notices, directions and other communications provided for hereunder shall be in writing and may be personally delivered, mailed (by registered or certified mail, postage prepaid) or sent by

telecopy, telegraph or other direct written electronic means, to the applicable party at the address indicated below:

If to Lessor:

Calair L.L.C.
c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Treasury Operations
Telecopy No.: 713-834-2448

With a copy to Chase Equity Associates, L.P.

c/o Chase Capital Partners, Inc.
380 Madison Avenue, 12th Floor
New York, New York 10017-2591
Attn: Brian J. Richmand
Telecopy No.: 212-622-3101

and to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Brian S. Rosen, Esq.
Telecopy No.: 212-310-8007

If to Lessee:

Continental Airlines, Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Corporate Finance
Telecopy No.: 713-834-2448

or as to any party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section 12. All such notices, when personally delivered shall be deemed to have been validly and effectively given on the date of such delivery, when transmitted by telegraph, telecopy or other direct written electronic means shall be deemed to have been validly and effectively given on the day on which it is transmitted, or, if mailed, shall be deemed to have been validly and effectively given when deposited in the mail.

SECTION 13. RIGHT TO PURCHASE LEASED SLOTS OR TO REQUEST THAT LESSOR EXCHANGE LEASED SLOTS.

(a) At any time, and from time to time, if Lessee reasonably determines that any one or more of the Leased Slots are uneconomical to operate, are obsolete, or are surplus to Lessee's business, Lessee shall be entitled either (i) to cause Lessor to sell the Leased Slots to a Person that is not an Affiliate of Lessor or Lessee, subject to Section 4.3(h) of the LLC Agreement, or (ii) to request that Lessor enter into an exchange of such Leased Slots with any entity other than Lessee or an Affiliate of Lessee; provided, however, that Lessor and its members, jointly, shall have sole discretion as to whether to consent to any sale of Leased Slots if the aggregate fair market value of all Leased Slots sold (or proposed to be sold) pursuant to this Section 13 is greater than or equal to $50,000,000.

(b) If Lessee causes any one or more of the Leased Slots to be sold (the "PURCHASED SLOTS"),

(1) such sale shall be free and clear of any Encumbrance;

(2) the consideration to be paid for such Purchased Slots shall be either (i) immediately available funds, or (ii) another Slot, or Slots (the "SWAPPED SLOTS"), having an aggregate fair market value at least equal to the fair market value, as set forth in an appraisal prepared by an appraiser reasonably acceptable to Lessor, dated within 30 days of the sale of the Purchased Slots, or (iii) a combination of immediately available funds and Swapped Slots;

(3) if the consideration for the sale is immediately available funds, this Lease shall terminate as to such Purchased Slot(s), in lieu of any stipulated loss, Lessee shall continue to pay the full amount of the Rent hereunder, reduced only by an amount equal to the interest earned by the Lessor on such funds until the earlier of (i) the date such funds are used, if ever, to redeem CEA's Member Interest under the Redemption Option Agreement, and (ii) the expiration or earlier termination of the Term, Lessor hereby agreeing to either invest any such funds, net of any amounts distributed to the members of Lessor to pay taxes due in respect of such sale, in Cash Equivalents, as defined in the LLC Agreement, or to make loans to members of Lessor, or Affiliates of such members, pursuant to, and in accordance with the terms and conditions contained in, Section 7.1 of the LLC Agreement; and if the consideration for the purchase is Swapped Slots, the Swapped Slots shall thereafter automatically be included in, and the Purchased Slots shall thereafter automatically be excluded from, the Leased Slots and the Rent due hereunder shall continue unabated;

(4) Lessee shall provide Lessor and its members with ten (10) days' prior written notice of such proposed sale, and, if requested by Lessor or any of its Members, provide Lessor and its Members with an appraisal reasonably satisfactory to Lessor and its Members indicating the fair market value, at or

not more than thirty (30) days prior to the time of the sale, of the Purchased Slots and the Swapped Slots (if applicable); and

(5) If the consideration paid for the Purchased Slots is Swapped Slots, the sale shall be effected by a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code.

(c) If Lessee requests that Lessor enter into an exchange of Leased Slots with any entity other than Lessee or an Affiliate of Lessee and Lessor complies with such request, (i) the Slots received from the other airline carrier in such exchange ("SUBSTITUTE SLOTS") shall have an aggregate fair market value at least equal to the fair market value of the Slots transferred to the other airline carrier in such exchange, as set forth in an appraisal prepared by an appraiser reasonably acceptable to Lessor, dated within thirty (30) days of the exchange, (ii) the exchange shall be effected by a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code, and (iii) the Substitute Slots shall thereafter automatically be included in, and the Slots transferred to the other airline carrier in such exchange shall thereafter automatically be excluded from, the Leased Slots.

SECTION 14. AMENDMENTS AND MISCELLANEOUS.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by Lessor and Lessee, subject to the terms of the LLC Agreement.

(b) This Lease shall be binding upon and inure to the benefit of Lessor, and its successors and assigns, any security assignee of Lessor accepting an assignment of the rights of Lessor under this Lease and the successors and assigns of any such security assignee, and Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 6 and 8 of this Lease, the successors and assigns, agents and servants of Lessor, any security assignee of Lessor and any holder of obligations of Lessor issued in connection with this Lease shall each be indemnified thereunder and, with respect to clause (ii) of the proviso to Section 8 of this Lease, the willful misconduct or gross negligence of any Indemnified Person shall not affect the rights of any other Indemnified Person under such Section.

(c) All agreements, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to Lessee any right, title or interest in or to the Leased Slots, except as a lessee only.

(f) This Lease shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the principles of conflict of laws thereof (other than Section 5-1401 of the New York General Obligations Law).

(g) Section headings are for convenience only and shall not be construed as part of this Lease.

(h) Lessor and Lessee shall, prior to the commencement of the Term, and thereafter as may be necessary, notify the FAA pursuant to Section 93.221 of the Slot Regulations of the contemplated use of the Leased Slots by Lessee.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease on or as of the Commencement Date.

Lessor: CALAIR L.L.C.

By: CALFINCO Inc.
Managing Member

By: /s/ JEFFREY J. MISNER

Jeffrey J. Misner
Vice President - Treasury Operations

Lessee: CONTINENTAL AIRLINES, INC.

By: /s/ GERALD LADERMAN

Gerald Laderman
Vice President - Corporate Finance

EXHIBIT A

LIST OF LEASED SLOTS

A. CHICAGO O'HARE

	TIME	SLOT NO.
1.	07:15	7240*
2.	07:15	8270
3.	08:15	7664
4.	08:45	7742
5.	09:45	7796
6.	10:15	7475
7.	10:15	8659
8.	11:15	7971*
9.	11:45	8506*
10.	11:45	7439*
11.	12:15	8426*
12.	13:15	7609*
13.	13:45	7178*
14.	13:45	7377
15.	14:15	7320*
16.	14:15	8071*
17.	14:45	8316*
18.	14:45	7682
19.	15:15	8640
20.	15:45	7970*
21.	16:15	8327
22.	16:15	7659
23.	16:45	7924
24.	16:45	8290
25.	17:15	7591*
26.	17:45	7743
27.	18:15	8200*
28.	18:15	7977
29.	18:15	7635*

* As of April 1998, licensed to a third-party commercial air carrier.

B. WASHINGTON NATIONAL

	TIME	SLOT NO.
1.	07:00	1209*
2.	07:00	1270
3.	07:00	1568
4.	08:00	1610
5.	08:00	1498*
6.	09:00	1637
7.	09:00	1453
8.	09:00	1335*
9.	10:00	1026
10.	11:00	1120*
11.	11:00	1067*
12.	11:00	1020
13.	12:00	1572*
14.	12:00	1368
15.	13:00	1069*
16.	13:00	1656
17.	13:00	1068
18.	14:00	1545
19.	14:00	1615
20.	14:00	1520
21.	15:00	1600
22.	15:00	1054
23.	15:00	1164*
24.	16:00	1156
25.	16:00	1111*
26.	16:00	1527*
27.	17:00	1071*
28.	17:00	1280
29.	18:00	1324*
30.	19:00	1095*
31.	19:00	1129*
32.	19:00	1294*
33.	19:00	1550*
34.	19:00	1301
35.	20:00	1279
36.	20:00	1640*
37.	20:00	1288*
38.	20:00	1448*
39.	21:00	1647
40.	21:00	1558
41.	21:00	1239

* As of April 1998, licensed to a third-party commercial air carrier.

C. LAGUARDIA - DEPARTURE

	TIME	SLOT NO.
1.	07:00	3851*
2.	08:30	3595*
3.	08:30	3336
4.	09:30	3181*
5.	10:00	3198*
6.	11:00	3663*
7.	12:00	3833
8.	13:00	3331
9.	13:30	3808
10.	14:30	3379*
11.	15:30	3363*
12.	16:30	3805
13.	17:00	3090*
14.	17:00	3274*
15.	17:30	3412*
16.	18:30	3398*
17.	19:30	3572

* As of April 1998, licensed to a third-party commercial air carrier.

D. LAGUARDIA - ARRIVAL

	TIME	SLOT NO.
1.	08:30	3077*
2.	09:00	3087
3.	10:30	3827*
4.	12:30	3582
5.	13:30	3108
6.	15:30	3618*
7.	16:00	3091*
8.	16:00	3810*
9.	17:00	3678*
10.	17:30	3288*
11.	18:00	3173*
12.	18:30	3800
13.	19:00	3620*
14.	19:30	3679*
15.	21:30	3053*

* As of April 1998, licensed to a third-party commercial air carrier.

EXHIBIT 10.3

==========

REDEMPTION OPTION AGREEMENT

BETWEEN

CALAIR L.L.C.

AND

CHASE EQUITY ASSOCIATES, L.P.

dated as of

April 17, 1998

==========

REDEMPTION OPTION AGREEMENT

This Redemption Option Agreement (this "Agreement") is made and entered into by and between CALAIR L.L.C. ("Calair"), a limited liability company organized and existing under the laws of the State of Delaware and CHASE EQUITY ASSOCIATES, L.P. ("CEA"), a California limited partnership.

RECITALS

Effective as of March 30, 1998, CALFINCO Inc. ("Calfinco") entered into a limited liability company agreement (the "Original LLC Agreement") forming Calair. Calair's certificate of formation was filed with the Secretary of State of Delaware on March 31, 1998. Of even date herewith, CEA and Calfinco are amending and restating the Original LLC Agreement (as amended and restated, the "LLC Agreement"). Each capitalized term not otherwise defined in this Agreement shall have the meaning ascribed to such term in the LLC Agreement.

As an inducement to Calfinco's becoming a member in Calair, CEA agreed to grant Calair certain rights to redeem CEA's Member Interest, as more particularly set forth below.

NOW THEREFORE, in consideration of the foregoing premises, and paid Ten and No/100 Dollars ($10.00) in hand paid, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CEA and Calair hereby agree as follows:

1. On the fifth anniversary of the Closing Date (the "Fifth Anniversary"), or if the Fifth Anniversary is not a Business Day, on the first (1st) Business Day thereafter, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to redeem one-half of CEA's Member Interest for $5,558,000, payable in immediately available funds.

2. CEA shall have the right, at any time not more than two hundred seventy (270) days prior to the Tenth Anniversary, to give Calair notice (the "Redemption Notice") requesting that Calair elect whether to exercise Calair's option to redeem all of CEA's remaining Member Interest. Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to redeem all of CEA's remaining Member Interest by notifying CEA of Calair's election to so redeem CEA's Member Interest within ten (10) Business Days after receipt of the Redemption Notice. If Calair so notifies CEA of Calair's election to redeem CEA's Member Interest, the redemption shall occur on the Tenth Anniversary, or if the Tenth Anniversary is not a Business Day, on the first (1st) Business Day thereafter. The purchase price for such redemption shall be (i) $6,834,200, if Calair has previously exercised its right pursuant to Section 1 hereof, or (ii) $13,668,400, if Calair failed to exercise its right pursuant to Section 1 hereof. If Calair notifies CEA that Calair elects not to redeem the remainder of CEA's Member Interest, or if Calair fails to notify CEA of any election by Calair within such ten (10) Business Day period following the Redemption Notice, Calair shall be deemed to have waived its right to redeem CEA's remaining Member Interest.

3. (a) Within five (5) Business Days after (i) CEA refuses to consent to the taking of any action under Section 4.3 of the LLC Agreement that Calfinco, as the Managing Member, requests CEA to consent to (provided this clause (i) shall not apply to any request for consent that CEA refuses prior to the second anniversary of the Closing Date), or (ii) Calfinco's receipt of a "Trigger Event Notice" pursuant to Section 4.4(a) of the LLC Agreement, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to tender to CEA a notice (a "Conditional Exercise Notice") of Calair's intent to redeem all of CEA's remaining Member Interest.

(b) If Calair gives CEA a Conditional Exercise Notice, Calair shall cause the fair market value of the Slots to be determined by an appraisal (the "Appraisal") performed by an appraiser reasonably acceptable to Calfinco and CEA within ten (10) Business Days after delivery of the Conditional Exercise Notice. Unless Calair notifies CEA of Calair's rescission of the Conditional Exercise Notice within ten (10) Business Days after delivery of the Conditional Exercise Notice, Calair shall be obligated to redeem all of CEA's remaining Member Interest for the purchase price described in Paragraph 3(c) within thirty (30) days after delivery of the Conditional Exercise Notice.

(c) The purchase price payable by Calair for CEA's remaining Member Interest, if redeemed pursuant to this paragraph 3, shall be equal to the sum of (i) CEA's Sharing Ratio prior to giving effect to such redemption multiplied by all due and unpaid Net Rent (as defined below), if any, together with interest thereon at the Net Rent Default Rate (as defined below), plus (ii) (A) if such redemption occurs after the Fifth Anniversary, CEA's Sharing Ratio prior to giving effect to such redemption, multiplied by the Net Rent that would have been payable by CAL under the Slot Lease for the remainder of the term of the Slot Lease, or (B) if such redemption occurs prior to the Fifth Anniversary, (1) CEA's Sharing Ratio prior to giving effect to such redemption (i.e. twenty-four percent (24%)), multiplied by the Net Rent that would have been payable by CAL under the Slot Lease to, but excluding, the Fifth Anniversary, plus (2) twelve percent (12%) multiplied by the Net Rent that would have been payable by CAL under the Slot Lease from and including the Fifth Anniversary through the Tenth Anniversary, with each rental stream described in clauses (ii)(A), (ii)(B)(1), and (ii)(B)(2) being discounted to present value using as the discount rate, seventy-five (75) basis points in excess of the yield reported, as of 10:00 a.m. (New York City time) on the day preceding the day of redemption, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on the Telerate Access Service), for actively traded U.S. Treasury securities, interpolated to correspond to the weighted average maturity of CEA's share of the Net Rent payable to CEA during the remaining term of the Slot Lease (calculated as stated above in clause (ii)(A) or (ii)(B)) (the "Discount Rate"), plus (iii) the greater of (x) the purchase price that would be associated with Calair's redemption of CEA's remaining Member Interest on the first date or dates that the redemption of such Member Interest would be possible pursuant to Sections 1 and 2 hereof, discounted to present value using the Discount Rate, and (y) CEA's Sharing Ratio prior to giving effect to such redemption, multiplied by the amount by which (1) the then fair market value of the Slots, as set forth in the Appraisal, plus the then outstanding principal balance of any loans made by Calair to a Member, or an Affiliate of a Member, pursuant

to, and in accordance with the terms and conditions contained in, Section 7.1 of the LLC Agreement, plus any cash then being retained by Calair, exceeds (2) the principal balance of, together with any accrued interest on, the Indebtedness of Calair as of the date of redemption.

(d) By way of example and not by way of limitation, the amount described in clause (iii)(x) of paragraph 3(c) above would be calculated as follows:

(i) If the redemption occurs on or prior to the Fifth Anniversary, the amount would be the sum of (A) $5,558,000, discounted from the Fifth Anniversary back to the actual date of redemption at the Discount Rate, plus (B) $6,834,200, discounted from the Tenth Anniversary back to the actual date of redemption at the Discount Rate.

(ii) If the redemption occurs after the Fifth Anniversary and Calair has previously exercised its redemption option described in paragraph 1, the amount would be $6,834,200, discounted from the Tenth Anniversary back to the actual date of redemption at the Discount Rate.

(iii) If the redemption occurs after the Fifth Anniversary and Calair has not exercised its redemption option described in paragraph 1, the amount would be $13,668,400, discounted from the Tenth Anniversary back to the actual date of redemption at the Discount Rate.

(e) As used in paragraph 3(c) above, (i) "Net Rent", for any period, means the amount by which the aggregate rent payable under the Slot Lease exceeds the interest payable for such period in respect of the Indebtedness evidenced by the Credit Documents, or any refinancing of such Indebtedness pursuant to Section 4.3(r) of the LLC Agreement, and (ii) "Net Rent Default Rate" shall mean 9% per semi-annual period, prorated for any partial period based on the actual number of days since the immediately preceding April 1st or October 1st, as applicable, in each case, divided by 182 or 183, as applicable.

4. Within thirty (30) days after Calfinco obtains knowledge that CEA's Member Interest has been Transferred pursuant to the foreclosure of a security interest granted by CEA on its Member Interest, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to redeem all of CEA's remaining Member Interest for a purchase price equal to the price described in clause 5 below. Calair shall notify CEA of Calair's election to exercise Calair's rights to redeem CEA's remaining Member Interest, and Calair shall consummate such redemption, within such thirty (30) day period after Calair obtains knowledge that CEA's Member Interest has been so Transferred.

5. Within thirty (30) days after Calfinco's receipt of a "Termination Notice" pursuant to Section 11.1(b) of the LLC Agreement as a result of the occurrence of any event described in clause (ii) of the definition of Termination Event, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to redeem all of CEA's remaining

Member Interest for a purchase price equal to the amount described in clauses 3(c)(i), the applicable portion of clause 3(c)(ii), and clause 3(c)(iii)(x) above, except that the phrase "one hundred fifty (150) basis points" shall be substituted for the phrase "seventy-five (75) basis points" in the definition of "Discount Rate." Calair shall notify CEA of Calair's election to exercise Calair's right to redeem CEA's remaining Member Interest, and Calair shall consummate such redemption, within such thirty (30) day period after receipt of such Termination Notice.

6. At any time after Calfinco's receipt of a "Termination Notice" pursuant to Section 11.1(b) of the LLC Agreement as a result of the occurrence of an event described in clause (xi) of the definition of Termination Event and prior to the Tenth Anniversary, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to tender to CEA a Conditional Exercise Notice and to proceed with the redemption of CEA's Member Interest in accordance with Paragraph 3 above, except that the purchase price payable to CEA for such redemption shall be reduced by the amount of any Distributions made by the Company Liquidator to CEA from the proceeds of the sale of Slots pursuant to Section 11.7(d) of the LLC Agreement. Notwithstanding anything to the contrary contained in this Section 6, (a) the tender of a Conditional Exercise Notice under this Section 6 shall not prohibit, nor is it intended to prohibit, Calair from selling its assets in accordance with Sections 11.1 and 11.7 of the LLC Agreement, and (b) no event, including, without limitation, the commencement of a case under Title 11 of the United States Code by or against Calfinco, Calair or CAL, other than consummation of the redemption option contained herein, shall inhibit the sale of assets in accordance with Sections 11.1 and 11.7 of the LLC Agreement.

7. (a) Within five (5) Business Days after Calfinco's receipt of a "Termination Notice" pursuant to Section 11.1(b) of the LLC Agreement as a result of the occurrence of any event other than as described in clauses (ii) of the definition of Termination Event, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to tender to CEA a Conditional Exercise Notice and to proceed with the redemption of CEA's Member Interest in accordance with Paragraph 3 above.

(b) If Calair does not tender a Conditional Exercise Notice to CEA with such five (5) Business Day period, then CEA shall have the right to notify Calfinco of CEA's intent to cause Calair to terminate, wind up, and liquidate (the "Liquidation Notice"). Within five (5) Business Days after Calfinco's receipt of a Liquidation Notice, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to tender to CEA a Conditional Exercise Notice and to proceed with the redemption of CEA's Member Interest in accordance with Paragraph 3 above.

(c) If Calair does not tender a Conditional Exercise Notice to CEA pursuant to this Paragraph 7, and consummate the redemption of CEA's Member Interest in accordance with Paragraph 3 above, CEA shall have the right to cause the termination, winding up, and liquidation of Calair in accordance with Section 11.1 of the LLC Agreement.

8. Within thirty (30) days after Calfinco's receipt of notice or otherwise becoming aware that CEA's Member Interest has been Transferred pursuant to a Transfer that was not a Permitted Transfer, Calfinco, regardless of whether Calfinco is then the Managing Member, shall have the right to cause Calair to redeem all of CEA's and/or the transferee's Member Interest for a purchase price equal to (a) if such transferee is not a foreign or domestic air carrier or an Affiliate of such an air carrier, the amount paid by the transferee for such Member Interest, stated in terms of cash, or if payment was made in part by a promissory note, in terms of cash and a promissory note in like amount from Calair, or (b) if such transferee is a foreign or domestic air carrier or an Affiliate of such an air carrier, the lesser of (i) the amount described in clause 8(a), and (ii) the sum of the amounts described in clauses 3(c)(i) and 3(c)(iii)(y) above.

9. Notwithstanding anything contained in this Agreement or any other Operative Document, the options and rights of Calair granted hereunder shall expire on the first (1st) Business Day after the Tenth Anniversary, or if the Tenth Anniversary is not a Business Day, on the second (2nd) Business Day after the Tenth Anniversary.

10. Each party hereto agrees that the other party would be irreparably damaged if any of the provisions of this Agreement were not performed in accordance with their specific terms and that monetary damages would not provide an adequate remedy in such an event. The parties hereto agree that time is of the essence with respect to performance of the provisions of this Agreement. Accordingly, the parties hereto agree that, in addition to any other remedy to which the non-breaching party may be entitled, whether at law or in equity, the non-breaching party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and specifically to enforce the terms and provisions of this Agreement and any action instituted in any court of the United States or any state thereof having subject matter jurisdiction.

11. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the principles of conflict of laws thereof (other than Section 5-1401 of the New York General Obligations Law).

12. This Agreement may not be amended except by an instrument in writing signed by all of the parties hereto.

13. All notices, directions and other communications provided for hereunder shall be in writing and may be personally delivered, mailed (by registered or certified mail, postage prepaid) or sent by telecopy, telegraph or other direct written electronic means, to the applicable party at the address indicated below:

If to Calair L.L.C.:

Calair L.L.C.
c/o Continental Airlines, Inc.
2929 Allen Parkway, Suite 1588
Houston, Texas 77019
Attention: Vice President - Treasury Operations
Telecopy No.: 713-834-2448

If to CEA:

c/o Chase Capital Partners, Inc.
380 Madison Avenue, 12th Floor
New York, New York 10017-2591
Attn: Brian J. Richmand
Telecopy No.: 212-622-3101

With a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attn: Brian S. Rosen, Esq.
Telecopy No.: 212-310-8007

or as to any party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this paragraph 13. All such notices, when personally delivered shall be deemed to have been validly and effectively given on the date of such delivery, when transmitted by telegraph, telecopy or other direct written electronic means shall be deemed to have been validly and effectively given on the day on which it is transmitted, or, if mailed, shall be deemed to have been validly and effectively given when deposited in the mail.

14. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Upon execution of this Agreement, counterpart signature pages may be delivered by facsimile transmission.

15. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successor and assigns. Without limiting the generality of the foregoing, if CEA Transfers its Member Interest to another Person, Calair's redemption rights shall apply to the Member Interest of such other Person.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, or have caused this Agreement to be duly executed on their respective behalf by their respective officers, managers, or members thereunto duly authorized, as of the date and year first above written.

CHASE EQUITY ASSOCIATES, L.P.

By: CHASE CAPITAL PARTNERS, its General Partner

By: /s/ BRIAN RICHMOND

Name: Brian Richmond
Title: General Partner

CALAIR L.L.C.

By: CALFINCO Inc.,
Managing Member

By: /s/ JEFFREY J. MISNER

Name: Jeffrey J. Misner
Title: Vice President - Treasury Operations

EXHIBIT 12.1

CONTINENTAL AIRLINES, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN MILLIONS)

	THREE MONTHS ENDED 3/31/98	THREE MONTHS ENDED 3/31/97	1997	1996	1995	1994	4/28/93 THROUGH 12/31/93	1/1/93 THROUGH 4/27/93
Earnings:								
Earnings (Loss) Before Income Taxes, Minority Interest and Extraordinary Items	$ 137	$ 124	$ 639	$ 428	$ 310	$ (651)	$ (52)	$ (977)
Plus:								
Interest Expense (a)	40	42	166	165	213	241	165	52
Capitalized Interest	(13)	(6)	(35)	(5)	(6)	(17)	(8)	(2)
Amortization of Capitalized Interest	1	1	3	3	2	1	0	0
Portion of Rent Expense Representative of Interest Expense (a)	110	94	400	359	360	337	216	117
	275	255	1,173	950	879	(89)	321	(810)
Fixed Charges:								
Interest Expense (a)	40	42	166	165	213	241	165	52
Portion of Rent Expense Representative of Interest Expense (a)	110	94	400	359	360	337	216	117
Total Fixed Charges	150	136	566	524	573	578	381	169
Coverage Adequacy (Deficiency)	$ 125	$ 119	$ 607	$ 426	$ 306	$ (667)	$ (60)	$ (979)
Coverage Ratio	1.83	1.88	2.07	1.81	1.53	n/a	n/a	n/a

Note: A vertical black line is shown in the table above to separate Continental's post-reorganized consolidated financial data from its predecessor since they have not been prepared on a consistent basis of accounting.

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the (i) incorporation by reference of our reports (a) dated February 9, 1998, except for Note 13, as to which the date is March 18, 1998, related to the consolidated financial statements of Continental Airlines, Inc., and (b) dated March 18, 1998 related to the financial statement schedule of Continental Airlines, Inc., both included in Continental Airlines, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 1997 filed with the Securities and Exchange Commission; and (ii) inclusion of our report dated March 31, 1998 related to the March 31, 1998 consolidated balance sheet of Calair L.L.C. in the Registration Statement (Form S-4) and related Prospectus of Calair Capital Corporation, Calair L.L.C. and Continental Airlines, Inc. for the registration of $112,300,000 of 8 1/8% Senior Notes due 2008 of Calair Capital Corporation and Calair L.L.C.

/s/ ERNST & YOUNG LLP

Houston, Texas

July 30, 1998

EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998 /s/ GORDON M. BETHUNE

Gordon M. Bethune
Chairman of the Board and Chief Executive Officer
Continental Airlines, Inc.

Date: July 29, 1998 /s/ MICHAEL P. BONDS

Michael P. Bonds
Vice President and Controller
Continental Airlines, Inc.

Date: July __, 1998

Thomas J. Barrack, Jr., Director
Continental Airlines, Inc.

Date: July __, 1998

Lloyd M. Bentsen, Jr., Director
Continental Airlines, Inc.

Date: July 28, 1998 /s/ DAVID BONDERMAN

David Bonderman, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ GREGORY D. BRENNEMAN

Gregory D. Brenneman, Director
Continental Airlines, Inc.

Date: July __, 1998

Patrick Foley, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ DOUGLAS H. McCORKINDALE

Douglas H. McCorkindale, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ GEORGE G. C. PARKER

George G. C. Parker, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ RICHARD W. POGUE

Richard W. Pogue, Director
Continental Airlines, Inc.

Date: July __, 1998

William S. Price III, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ DONALD L. STURM

Donald L. Sturm, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ KAREN HASTIE WILLIAMS

Karen Hastie Williams, Director
Continental Airlines, Inc.

Date: July 29, 1998 /s/ CHARLES A. YAMARONE

Charles A. Yamarone, Director
Continental Airlines, Inc.

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ LAWRENCE W. KELLNER

Lawrence W. Kellner
Executive Vice President and Chief Financial Officer
Continental Airlines, Inc.

EXHIBIT 24.2

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ GORDON M. BETHUNE

Gordon M. Bethune
Chairman of the Board and Chief Executive Officer
CALFINCO Inc.
Managing Member of Calair L.L.C.

Date: July 29, 1998

/s/ GREGORY D. BRENNEMAN

Gregory D. Brenneman
President, Chief Operating Officer and Director
CALFINCO Inc.
Managing Member of Calair L.L.C.

Date: July 29, 1998

/s/ MICHAEL P. BONDS

Michael P. Bonds
Vice President and Controller
CALFINCO Inc.
Managing Member of Calair L.L.C.

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ LAWRENCE W. KELLNER

Lawrence W. Kellner
Executive Vice President and Chief Financial Officer
CALFINCO Inc.
Managing Member of Calair L.L.C.

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Lawrence W. Kellner, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ JEFFERY A. SMISEK

Jeffery A. Smisek
Executive Vice President, General Counsel,
Secretary and Director
CALFINCO Inc.
Managing Member of Calair L.L.C.

EXHIBIT 24.3

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Lawrence W. Kellner, Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ GORDON M. BETHUNE

Gordon M. Bethune
Chairman of the Board and Chief Executive Officer
Calair Capital Corporation

Date: July 29, 1998

/s/ GREGORY D. BRENNEMAN

Gregory D. Brenneman
President, Chief Operating Officer and Director
Calair Capital Corporation

Date: July 29, 1998

/s/ MICHAEL P. BONDS

Michael P. Bonds
Vice President and Controller
Calair Capital Corporation

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Jeffery A. Smisek, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ LAWRENCE W. KELLNER

Lawrence W. Kellner
Executive Vice President and Chief Financial Officer
Calair Capital Corporation

POWER OF ATTORNEY

The undersigned hereby constitutes and appoints Lawrence W. Kellner, Jennifer L. Vogel and Scott Peterson, and each or any of them, his or her true and lawful attorneys-in-fact and agents (with full power to each of them to act alone), with full power of substitution and resubstitution for him or her and in his or her name, place and stead in any and all capacities, to sign the Registration Statement on Form S-4, or other appropriate Form, relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc. ("Continental"), a Delaware corporation, and Calair Capital Corporation, a Delaware corporation and a wholly owned subsidiary of Calair, to exchange up to $112,300,000 aggregate principal amount of their 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental for a like principal amount of their outstanding 8 1/8% Senior Notes due 2008, which are fully and unconditionally guaranteed on an unsecured, senior basis by Continental, and any and all amendments (including post-effective amendments) or supplements to such Registration Statement, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done (with full power to each of them to act alone), as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Date: July 29, 1998

/s/ JEFFERY A. SMISEK

Jeffery A. Smisek
Executive Vice President, General Counsel,
Secretary and Director
Calair Capital Corporation

EXHIBIT 25.1

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION UNDER THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

BANK ONE, N.A.

Not Applicable	31-4148768
(State of Incorporation if not a national bank)	(I.R.S. Employer Identification No.)

100 East Broad Street, Columbus, Ohio 43271-0181
(Address of trustee's principal (Zip Code) executive offices)

c/o Bank One Trust Company, NA
100 East Broad Street
Columbus, Ohio 43271-0181
(614) 248-6229
(Name, address and telephone number of agent for service)

CALAIR CAPITAL CORPORATION
(Exact name of obligor as specified in its charter)

Delaware	76-0566170
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

CALAIR L.L.C.
(Exact name of obligor as specified in its charter)

Delaware	76-0556172
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o CALFINCO, Inc.
2929 Allen Parkway, Suite 2010 77019
Houston, Texas (Zip Code)
(Address of principal executive office)

8 1/8% Senior Notes due 2008
(Title of the Indenture securities)

GENERAL

1. GENERAL INFORMATION.
FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Comptroller of the Currency, Washington, D.C.

Federal Reserve Bank of Cleveland, Cleveland, Ohio

Federal Deposit Insurance Corporation, Washington, D.C.

The Board of Governors of the Federal Reserve System, Washington, D.C.

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

The trustee is authorized to exercise corporate trust powers.

2. AFFILIATIONS WITH OBLIGOR AND UNDERWRITERS.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

The obligor is not an affiliate of the trustee.

16. LIST OF EXHIBITS

LIST BELOW ALL EXHIBITS FILED AS A PART OF THIS STATEMENT OF ELIGIBILITY AND QUALIFICATION. (EXHIBITS IDENTIFIED IN PARENTHESES, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS EXHIBITS HERETO.)

Exhibit 1 - A copy of the Articles of Association of the trustee as now in effect.

Exhibit 2 - A copy of the Certificate of Authority of the trustee to commence business, see Exhibit 2 to Form T-1, filed in connection with Form S-3 relating to Wheeling-Pittsburgh Corporation 9 3/8% Senior Notes due 2003, Securities and Exchange Commission File No. 33-50709.

Exhibit 3 - A copy of the Authorization of the trustee to exercise corporate trust powers, see Exhibit 3 to Form T-1, filed in connection with Form S-3 relating to Wheeling-Pittsburgh Corporation 9 3/8% Senior Notes due 2003, Securities and Exchange Commission File No. 33-50709.

Exhibit 4 - A copy of the Bylaws of the trustee as now in effect.

Exhibit 5 - Not applicable.

Exhibit 6 - The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939, as amended.

Exhibit 7 - Report of Condition of the trustee as of the close of business on March 31, 1998, published pursuant to the requirements of the Comptroller of the Company, see attached.

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.

Items 3 through 15 are not answered pursuant to General Instruction B which requires responses to Item 1, 2 and 16 only, if the obligor is not in default.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, Bank One, NA, a national banking association organized under the National Banking Act, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in Columbus, Ohio, on July 30, 1998.

Bank One, NA

By: /s/ David Knox

Authorized Signer

Exhibit 1

BANK ONE, COLUMBUS, NATIONAL ASSOCIATION

ARTICLES OF ASSOCIATION

For the purpose of organizing an association to carry on the business of banking under the laws of the United States, the following Articles of Association are entered into:

FIRST. The title of this Association shall be BANK ONE, COLUMBUS, NATIONAL ASSOCIATION.

SECOND. The main office of the Association shall be in Columbus, County of Franklin, State of Ohio. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five Directors, the exact number of Directors within such minimum and maximum limits to be fixed and determined from time-to- time by resolution of the shareholders at any annual or special meeting thereof, provided, however, that the Board of Directors, by resolution of a majority thereof, shall be authorized to increase the number of its members by not more than two between regular meetings of the shareholders. Each Director, during the full term of his directorship, shall own, as qualifying shares, the minimum number of shares of either this Association or of its parent bank holding company in accordance with the provisions of applicable law. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of Directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office of this Association or such other place as the Board of Directors may designate, on the day of each year specified therefor in the By-Laws, but if no election is held on that day, it may be held on any subsequent business day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

FIFTH. The authorized amount of capital stock of this Association shall be 2,073,750 shares of common stock of the par value of Ten Dollars ($10) each; but said capital stock may be increased or decreased from time-to-time, in accordance with the provisions of the laws of the United States.

No holder of shares of the capital stock of any class of the Association shall have the preemptive or preferential right of subscription to any share of any class of stock of this Association, whether now or hereafter authorized or to any obligations convertible into stock of this Association, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, may from time-to-time determine and at such price as the Board of Directors may from time-to-time fix.

This Association, at any time and from time-to-time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

SIXTH. The Board of Directors shall appoint one of its members President of the Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents and to appoint a Secretary and such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of this Association; to fix the salaries to be paid to them; to

dismiss them; to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of this Association shall be made; to manage and administer the business and affairs of this Association; to make all By-Laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of the City of Columbus, Ohio, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of this Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 10 percent of the stock of this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Every person who is or was a Director, officer or employee of the Association or of any other corporation which he served as a Director, officer or employee at the request of the Association as part of his regularly assigned duties may be indemnified by the Association in accordance with the provisions of this paragraph against all liability (including, without limitation, judgments, fines, penalties and settlements) and all reasonable expenses (including, without limitation, attorneys' fees and investigative expenses) that may be incurred or paid by him in connection with any claim, action, suit or proceeding, whether civil, criminal or administrative (all referred to hereafter in this paragraphs as "Claims") or in connection with any appeal relating thereto in which he may become involved as a party or otherwise or with which he may be threatened by reason of his being or having been a Director, officer or employee of the Association or such other corporation, or by reason of any action taken or omitted by him in his capacity as such Director, officer or employee, whether or not he continues to be such at the time such liability or expenses are incurred, provided that nothing contained in this paragraph shall be construed to permit indemnification of any such person who is adjudged guilty of, or liable for, willful misconduct, gross neglect of duty or criminal acts, unless, at the time such indemnification is sought, such indemnification in such instance is permissible under applicable law and regulations, including published rulings of the Comptroller of the Currency or other appropriate supervisory or regulatory authority, and provided further that there shall be no indemnification of directors, officers, or employees against expenses, penalties, or other payments incurred in an administrative proceeding or action instituted by an appropriate regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the Association. Every person who may be indemnified under the provisions of this paragraph and who has been wholly successful on the merits with respect to any Claim shall be entitled to indemnification as of right. Except as provided in the preceding sentence, any indemnification under this paragraph shall be at the sole discretion of the Board of Directors and shall be made only if the Board of Directors or the Executive Committee acting by a quorum consisting of

Directors who are not parties to such Claim shall find or if independent legal counsel (who may be the regular counsel of the Association) selected by the Board of Directors or Executive Committee whether or not a disinterested quorum exists shall render their opinion that in view of all of the circumstances then surrounding the Claim, such indemnification is equitable and in the best interests of the Association. Among the circumstances to be taken into consideration in arriving at such a finding or opinion is the existence or non-existence of a contract of insurance or indemnity under which the Association would be wholly or partially reimbursed for such indemnification, but the existence or non-existence of such insurance is not the sole circumstance to be considered nor shall it be wholly determinative of whether such indemnification shall be made. In addition to such finding or opinion, no indemnification under this paragraph shall be made unless the Board of Directors or the Executive Committee acting by a quorum consisting of Directors who are not parties to such Claim shall find or if independent legal counsel (who may be the regular counsel of the Association) selected by the Board of Directors or Executive Committee whether or not a disinterested quorum exists shall render their opinion that the Director, officer or employee acted in good faith in what he reasonably believed to be the best interests of the Association or such other corporation and further in the case of any criminal action or proceeding, that the Director, officer or employee reasonably believed his conduct to be lawful. Determination of any Claim by judgment adverse to a Director, officer or employee by settlement with or without Court approval or conviction upon a plea of guilty or of nolo contendere or its equivalent shall not create a presumption that a Director, officer or employee failed to meet the standards of conduct set forth in this paragraph. Expenses incurred with respect to any Claim may be advanced by the Association prior to the final disposition thereof upon receipt of an undertaking satisfactory to the Association by or on behalf of the recipient to repay such amount unless it is ultimately determined that he is entitled to indemnification under this paragraph. The rights of indemnification provided in this paragraph shall be in addition to any rights to which any Director, officer or employee may otherwise be entitled by contract or as a matter of law.

Every person who shall act as a Director, officer or employee of this Association shall be conclusively presumed to be doing so in reliance upon the right of indemnification provided for in this paragraph.

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount.

Exhibit 4

BY-LAWS
OF
BANK ONE, COLUMBUS, NATIONAL ASSOCIATION

ARTICLE I
MEETING OF SHAREHOLDERS

SECTION 1.01. ANNUAL MEETING. The regular annual meeting of the Shareholders of the Bank for the election of Directors and for the transaction of such business as may properly come before the meeting shall be held at its main banking house, or other convenient place duly authorized by the Board of Directors, on the third Monday of January of each year, or on the next succeeding banking day, if the day fixed falls on a legal holiday. If from any cause, an election of directors is not made on the day fixed for the regular meeting of shareholders or, in the event of a legal holiday, on the next succeeding banking day, the Board of Directors shall order the election to be held on some subsequent day, as soon thereafter as practicable, according to the provisions of law; and notice thereof shall be given in the manner herein provided for the annual meeting. Notice of such annual meeting shall be given by or under the direction of the Secretary or such other officer as may be designated by the Chief Executive Officer by first-class mail, postage prepaid, to all shareholders of record of the Bank at their respective addresses as shown upon the books of the Bank mailed not less than ten days prior to the date fixed for such meeting.

SECTION 1.02. SPECIAL MEETINGS. A special meeting of the shareholders of this Bank may be called at any time by the Board of Directors or by any three or more shareholders owning, in the aggregate, not less than ten percent of the stock of this Bank. The notice of any special meeting of the shareholders called by the Board of Directors, stating the time, place and purpose of the meeting, shall be given by or under the direction of the Secretary, or such other officer as is designated by the Chief Executive Officer, by first-class mail, postage prepaid, to all shareholders of

record of the Bank at their respective addresses as shown upon the books of the Bank, mailed not less than ten days prior to the date fixed for such meeting.

Any special meeting of shareholders shall be conducted and its proceedings recorded in the manner prescribed in these By-Laws for annual meetings of shareholders.

SECTION 1.03. SECRETARY OF SHAREHOLDERS' MEETING. The Board of Directors may designate a person to be the Secretary of the meetings of shareholders. In the absence of a presiding officer, as designated in these By-Laws, the Board of Directors may designate a person to act as the presiding officer. In the event the Board of Directors fails to designate a person to preside at a meeting of shareholders and a Secretary of such meeting, the shareholders present or represented shall elect a person to preside and a person to serve as Secretary of the meeting.

The Secretary of the meetings of shareholders shall cause the returns made by the judges and election and other proceedings to be recorded in the minute book of the Bank. The presiding officer shall notify the directors-elect of their election and to meet forthwith for the organization of the new board.

The minutes of the meeting shall be signed by the presiding officer and the Secretary designated for the meeting.

SECTION 1.04. JUDGES OF ELECTION. The Board of Directors may appoint as many as three shareholders to be judges of the election, who shall hold and conduct the same, and who shall, after the election has been held, notify, in writing over their signatures, the secretary of the shareholders' meeting of the result thereof and the names of the Directors elected; provided, however, that upon failure for any reason of any judge or judges of election, so appointed by the directors, to serve, the presiding officer of the meeting shall appoint other shareholders or their proxies to fill the vacancies. The judges of election at the request of the chairman of the

meeting, shall act as tellers of any other vote by ballot taken at such meeting, and shall notify, in writing over their signatures, the secretary of the Board of Directors of the result thereof.

SECTION 1.05. PROXIES. In all elections of Directors, each shareholder of record, who is qualified to vote under the provisions of Federal Law, shall have the right to vote the number of shares of record in his name for as many persons as there are Directors to be elected, or to cumulate such shares as provided by Federal Law. In deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock of record in his name. Shareholders may vote by proxy duly authorized in writing. All proxies used at the annual meeting shall be secured for that meeting only, or any adjournment thereof, and shall be dated, and if not dated by the shareholder, shall be dated as of the date of receipt thereof. No officer or employee of this Bank may act as proxy.

SECTION 1.06. QUORUM. Holders of record of a majority of the shares of the capital stock of the Bank, eligible to be voted, present either in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of shareholders, but shareholders present at any meeting and constituting less than a quorum may, without further notice, adjourn the meeting from time to time until a quorum is obtained. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II
DIRECTORS

SECTION 2.01. MANAGEMENT OF THE BANK. The business of the Bank shall be managed by the Board of Directors. Each director of the Bank shall be the beneficial owner of a substantial number of shares of BANC ONE CORPORATION and shall be employed either in the position of Chief Executive Officer or active leadership within his or her business, professional or community interest which shall be located within the geographic area in which the Bank operates, or as an executive officer of the Bank. A director shall not be eligible for nomination and re-election as a director of the Bank if such person's executive or leadership position within his or her business, professional or community interests which qualifies such person as a director of Bank terminates. The age of 70 is the mandatory retirement age as a director of the Bank. When a person's eligibility as director of the Bank terminates, whether because of change in share ownership, position, residency or age, within 30 days after such termination, such person shall submit his resignation as a director to be effective at the pleasure of the Board provided, however, that in no event shall such person be nominated or elected as a director. Provided, however, following a person's retirement or resignation as a director because of the age limitations herein set forth with respect to election or re-election as a director, such person may, in special or unusual circumstances, and at the discretion of the Board, be elected by the directors as a Director Emeritus of the Bank for a limited period of time. A Director Emeritus shall have the right to participate in board meetings but shall be without the power to vote and shall be subject to re-election by the Board at its organizational meeting following the Bank's annual meeting of shareholders.

SECTION 2.02. QUALIFICATIONS. Each director shall have the qualification prescribed by law. No person elected a director may exercise any of the powers of his office until he has taken the oath of such office.

SECTION 2.03. TERM OF OFFICE/VACANCIES. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to his prior death, resignation, or removal from office. Whenever any vacancy shall occur among the directors, the remaining directors shall constitute the directors of the Bank until such vacancy is filled by the remaining directors, and any director so appointed shall hold office for the unexpired term of his or her successor. Notwithstanding the foregoing, each director shall hold office and serve at the pleasure of the Board.

SECTION 2.04. ORGANIZATION MEETING. The directors elected by the share-holders shall meet for organization of the new board at the time fixed by the presiding officer of the annual meeting. If at the time fixed for such meeting there is no quorum present, the Directors in attendance may adjourn from time to time until a quorum is obtained. A majority of the number of Directors elected by the shareholders shall constitute a quorum for the transaction of business.

SECTION 2.05. REGULAR MEETINGS. The regular meetings of the Board of Directors shall be held on the third Monday of each calendar month excluding March and July, which meeting will be held at 4:00 p.m. When any regular meeting of the Board falls on a holiday, the meeting shall be held on such other day as the Board may previously designate or should the Board fail to so designate, on such day as the Chairman of the Board of President may fix. Whenever a quorum is not present, the directors in attendance shall adjourn the meeting to a time not later than the date fixed by the Bylaws for the next succeeding regular meeting of the Board.

SECTION 2.06. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held at the call of the Chairman of the Board or President, or at the request of two or more Directors. Any special meeting may be held at such place in Franklin County, Ohio, and at such time as may be fixed in the call. Written or oral notice shall be given to each Director not later than the day next preceding the day on which special meeting is to be held, which notice may be waived in writing.

The presence of a Director at any meeting of the Board shall be deemed a waiver of notice thereof by him. Whenever a quorum is not present the Directors in attendance shall adjourn the special meeting from day to day until a quorum is obtained.

SECTION 2.07. QUORUM. A majority of the Directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a lesser number may adjourn any meeting, from time-to-time, and the meeting may be held, as adjourned, without further notice. When, however, less than a quorum as herein defined, but at least one-third and not less than two of the authorized number of Directors are present at a meeting of the Directors, business of the Bank may be transacted and matters before the Board approved or disapproved by the unanimous vote of the Directors present.

SECTION 2.08. COMPENSATION. Each member of the Board of Directors shall receive such fees for, and transportation expenses incident to, attendance at Board and Board Committee Meetings and such fees for service as a Director irrespective of meeting attendance as from time to time are fixed by resolution of the Board; provided, however, that payment hereunder shall not be made to a Director for meetings attended and/or Board service which are not for the Bank's sole benefit and which are concurrent and duplicative with meetings attended or board service for an affiliate of the Bank for which the Director receives payment; and provided further, that payment hereunder shall not be made in the case of any Director in the regular employment of the Bank or of one of its affiliates.

SECTION 2.09. EXECUTIVE COMMITTEE. There shall be a standing committee of the Board of Directors known as the Executive Committee which shall possess and exercise, when the Board is not in session, all powers of the Board that may lawfully be delegated. The Executive Committee shall also exercise the powers of the Board of Directors in accordance with the Provisions of the "Employees Retirement Plan" and the "Agreement and Declaration of Trust" as the same now exist or may be amended hereafter. The Executive Committee shall consist of not fewer than four board members, including the Chairman of the Board and President of the

Bank, one of whom, as hereinafter required by these By-laws, shall be the Chief Executive Officer. The other members of the Committee shall be appointed by the Chairman of the Board or by the President, with the approval of the Board and shall continue as members of the Executive Committee until their successors are appointed, provided, however, that any member of the Executive Committee may be removed by the Board upon a majority vote thereof at any regular or special meeting of the Board. The Chairman or President shall fill any vacancy in the Committee by the appointment of another Director, subject to the approval of the Board of Directors. The regular meetings of the Executive Committee shall be held on a regular basis as scheduled by the Board of Directors. Special meetings of the Executive Committee shall be held at the call of the Chairman or President or any two members thereof at such time or times as may be designated. In the event of the absence of any member or members of the Committee, the presiding member may appoint a member or members of the Board to fill the place or places of such absent member or members to serve during such absence. Not fewer than three members of the Committee must be present at any meeting of the Executive Committee to constitute a quorum, provided, however that with regard to any matters on which the Executive Committee shall vote, a majority of the Committee members present at the meeting at which a vote is to be taken shall not be officers of the Bank and, provided further, that if, at any meeting at which the Chairman of the Board and President are both present, Committee members who are not officers are not in the majority, then the Chairman of the Board or President, which ever of such officers is not also the Chief Executive Officer, shall not be eligible to vote at such meeting and shall not be recognized for purposes of determining if a quorum is present at such meeting. When neither the Chairman of the Board nor President are present, the Committee shall appoint a presiding officer. The Executive Committee shall keep a record of its proceedings and report its proceedings and the action taken by it to the Board of Directors.

SECTION 2.10 COMMUNITY REINVESTMENT ACT AND COMPLIANCE POLICY COMMITTEE. There shall be a standing committee of the Board of Directors known as the Community Reinvestment Act and Compliance Policy Committee the duties of which shall be, at least once in each calendar year, to review, develop and recommend

policies and programs related to the Bank's Community Reinvestment Act Compliance and regulatory compliance with all existing statutes, rules and regulations affecting the Bank under state and federal law. Such Committee shall provide and promptly make a full report of such review of current Bank policies with regard to Community Reinvestment Act and regulatory compliance in writing to the Board, with recommendations, if any, which may be necessary to correct any unsatisfactory conditions. Such Committee may, in its discretion, in fulfilling its duties, utilize the Community Reinvestment Act officers of the Bank, Banc One Ohio Corporation and Banc One Corporation and may engage outside Community Reinvestment Act experts, as approved by the Board, to review, develop and recommend policies and programs as herein required. The Community Reinvestment Act and regulatory compliance policies and procedures established and the recommendations made shall be consistent with, and shall supplement, the Community Reinvestment Act and regulatory compliance programs, policies and procedures of Banc One Corporation and Banc One Ohio Corporation. The Community Reinvestment Act and Compliance Policy Committee shall consist of not fewer than four board members, one of whom shall be the Chief Executive Officer and a majority of whom are not officers of the Bank. Not fewer than three members of the Committee, a majority of whom are not officers of the Bank, must be present to constitute a quorum. The Chairman of the Board or President of the Bank, whichever is not the Chief Executive Officer, shall be an ex officio member of the Community Reinvestment Act and Compliance Policy Committee. The Community Reinvestment Act and Compliance Policy Committee, whose chairman shall be appointed by the Board, shall keep a record of its proceedings and report its proceedings and the action taken by it to the Board of Directors.

SECTION 2.11. TRUST COMMITTEES. There shall be two standing Committees known as the Trust Management Committee and the Trust Examination Committee appointed as hereinafter provided.

SECTION 2.12. OTHER COMMITTEES. The Board of Directors may appoint such special committees from time to time as are in its judgment necessary in the interest of the Bank.

ARTICLE III
OFFICERS, MANAGEMENT STAFF AND EMPLOYEES

SECTION 3.01. OFFICERS AND MANAGEMENT STAFF.

(a) The officers of the Bank shall include a President, Secretary and Security Officer and may include a Chairman of the Board, one or more Vice Chairmen, one or more Vice Presidents (which may include one or more Executive Vice Presidents and/or Senior Vice Presidents) and one or more Assistant Secretaries, all of whom shall be elected by the Board. All other officers may be elected by the Board or appointed in writing by the Chief Executive Officer. The salaries of all officers elected by the Board shall be fixed by the Board. The Board from time-to-time shall designate the President or Chairman of the Board to serve as the Bank's Chief Executive Officer.

(b) The Chairman of the Board, if any, and the President shall be elected by the Board from their own number. The President and Chairman of the Board shall be re-elected by the Board annually at the organizational meeting of the Board of Directors following the Annual Meeting of Shareholders. Such officers as the Board shall elect from their own number shall hold office from the date of their election as officers until the organization meeting of the Board of Directors following the next Annual Meeting of Shareholders, provided, however, that such officers may be relieved of their duties at any time by action of the Board in which event all the powers incident to their office shall immediately terminate.

(c) Except as provided in the case of the elected officers who are members of the Board, all officers, whether elected or appointed, shall hold office at the pleasure of the Board. Except as otherwise limited by law or these By-laws, the Board assigns to Chief Executive Officer and/or his

designees the authority to appoint and dismiss any elected or appointed officer or other member of the Bank's management staff and other employees of the Bank, as the person in charge of and responsible for any branch office, department, section, operation, function, assignment or duty in the Bank.

(d) The management staff of the Bank shall include officers elected by the Board, officers appointed by the Chief Executive Officer, and such other persons in the employment of the Bank who, pursuant to written appointment and authorization by a duly authorized officer of the Bank, perform management functions and have management responsibilities. Any two or more offices may be held by the same person except that no person shall hold the office of Chairman of the Board and/or President and at the same time also hold the office of Secretary.

(e) The Chief Executive Officer of the Bank and any other officer of the Bank, to the extent that such officer is authorized in writing by the Chief Executive Officer, may appoint persons other than officers who are in the employment of the Bank to serve in management positions and in connection therewith, the appointing officer may assign such title, salary, responsibilities and functions as are deemed appropriate by him, provided, however, that nothing contained herein shall be construed as placing any limitation on the authority of the Chief Executive Officer as provided in this and other sections of these By-Laws.

SECTION 3.02. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the Bank shall have general and active management of the business of the Bank and shall see that all orders and resolutions of the Board of Directors are carried into effect. Except as otherwise prescribed or limited by these By-Laws, the Chief Executive Officer shall have full right, authority and power to control all personnel, including elected and appointed officers, of the Bank, to employ or direct the

employment of such personnel and officers as he may deem necessary, including the fixing of salaries and the dismissal of them at pleasure, and to define and prescribe the duties and responsibility of all Officers of the Bank, subject to such further limitations and directions as he may from time-to-time deem proper. The Chief Executive Officer shall perform all duties incident to his office and such other and further duties, as may, from time-to-time, be required of him by the Board of Directors or the shareholders. The specification of authority in these By-Laws wherever and to whomever granted shall not be construed to limit in any manner the general powers of delegation granted to the Chief Executive Officer in conducting the business of the Bank. The Chief Executive Officer or, in his absence, the Chairman of the Board or President of the Bank, as designated by the Chief Executive Officer, shall preside at all meetings of shareholders and meetings of the Board. In the absence of the Chief Executive Officer, such officer as is designated by the Chief Executive Officer shall be vested with all the powers and perform all the duties of the Chief Executive Officer as defined by these By-Laws. When designating an officer to serve in his absence, the Chief Executive Officer shall select an officer who is a member of the Board of Directors whenever such officer is available.

SECTION 3.03. POWERS OF OFFICERS AND MANAGEMENT STAFF. The Chief Executive Officer, the Chairman of the Board, the President, and those officers so designated and authorized by the Chief Executive Officer are authorized for an on behalf of the Bank, and to the extent permitted by law, to make loans and discounts; to purchase or acquire drafts, notes, stock, bonds, and other securities for investment of funds held by the Bank; to execute and purchase acceptances; to appoint, empower and direct all necessary agents and attorneys; to sign and give any notice required to be given; to demand payment and/or to declare due for any default any debt or obligation due or payable to the Bank upon demand or authorized to be declared due; to foreclose any mortgages, to exercise any option, privilege or election to forfeit, terminate, extend or renew any lease; to authorize and direct any proceedings for the collection of any money or for the enforcement of any right or obligation; to adjust, settle and compromise all claims of every kind and description in favor of or against the Bank, and to give receipts, releases and discharges therefor; to borrow money and in connection therewith to make, execute and deliver

notes, bonds or other evidences of indebtedness; to pledge or hypothecate any securities or any stocks, bonds, notes or any property real or personal held or owned by the Bank, or to rediscount any notes or other obligations held or owned by the Bank, to employ or direct the employment of all personnel, including elected and appointed officers, and the dismissal of them at pleasure, and in furtherance of and in addition to the powers hereinabove set forth to do all such acts and to take all such proceedings as in his judgment are necessary and incidental to the operation of the Bank.

Other persons in the employment of the Bank, including but not limited to officers and other members of the management staff, may be authorized by the Chief Executive Officer, or by an officer so designated and authorized by the chief Executive Officer, to perform the powers set forth above, subject, however, to such limitations and conditions as are set forth in the authorization given to such persons.

SECTION 3.04. SECRETARY. The Secretary or such other officers as may be designated by the Chief Executive Officer shall have supervision and control of the records of the Bank and, subject to the direction of the Chief Executive Officer, shall undertake other duties and functions usually performed by a corporate secretary. Other officers may be designated by the Chief Executive Officer or the Board of Directors as Assistant Secretary to perform the duties of the Secretary.

SECTION 3.05. EXECUTION OF DOCUMENTS. The Chief Executive Officer, Chairman of the Board, President, any officer being a member of the Bank's management staff who is also a person in charge of and responsible for any department within the Bank and any other officer to the extent such officer is so designated and authorized by the Chief Executive Officer, the Chairman of the Board, the President, or any other officer who is a member of the Bank's management staff who is in charge of and responsible for any department within the Bank, are hereby authorized on behalf of the Bank to sell, assign, lease, mortgage, transfer, deliver and convey any real or personal property now or hereafter owned by or standing in the name of the Bank or its nominee, or held by this Bank as collateral security, and to execute and deliver such deeds, contracts, leases, assignments, bills of sale, transfers or other

papers or documents as may be appropriate in the circumstances; to execute any loan agreement, security agreement, commitment letters and financing statements and other documents on behalf of the Bank as a lender; to execute purchase orders, documents and agreements entered into by the Bank in the ordinary course of business, relating to purchase, sale, exchange or lease of services, tangible personal property, materials and equipment for the use of the Bank; to execute powers of attorney to perform specific or general functions in the name of or on behalf of the Bank; to execute promissory notes or other instruments evidencing debt of the Bank; to execute instruments pledging or releasing securities for public funds, documents submitting public fund bids on behalf of the Bank and public fund contracts; to purchase and acquire any real or personal property including loan portfolios and to execute and deliver such agreements, contracts or other papers or documents as may be appropriate in the circumstances; to execute any indemnity and fidelity bonds, proxies or other papers or documents of like or different character necessary, desirable or incidental to the conduct of its banking business; to execute and deliver settlement agreements or other papers or documents as may be appropriate in connection with a dismissal authorized by Section 3.01(c) of these By-laws; to execute agreements, instruments, documents, contracts or other papers of like or difference character necessary, desirable or incidental to the conduct of its banking business; and to execute and deliver partial releases from and discharges or assignments of mortgages, financing statements and assignments or surrender of insurance policies, now or hereafter held by this Bank.

The Chief Executive Officer, Chairman of the Board, President, any officer being a member of the Bank's management staff who is also a person in charge of and responsible for any department within the Bank, and any other officer of the Bank so designated and authorized by the Chief Executive Officer, Chairman of the Board, President or any officer who is a member of the Bank's management staff who is in charge of and responsible for any department within the Bank are authorized for and on behalf of the Bank to sign and issue checks, drafts, and certificates of deposit; to sign and endorse bills of exchange, to sign and countersign foreign and domestic letters of credit, to receive and receipt for payments of principal, interest, dividends, rents, fees and payments of every kind and description paid to the Bank, to sign receipts for property acquired by or entrusted to the Bank, to guarantee the genuineness of signatures on assignments of stocks, bonds or other securities, to sign certifications of

checks, to endorse and deliver checks, drafts, warrants, bills, notes, certificates of deposit and acceptances in all business transactions of the Bank.

Other persons in the employment of the Bank and of its subsidiaries, including but not limited to officers and other members of the management staff, may be authorized by the Chief Executive Officer, Chairman of the Board, President or by an officer so designated by the Chief Executive Officer, Chairman of the Board, or President to perform the acts and to execute the documents set forth above, subject, however, to such limitations and conditions as are contained in the authorization given to such person.

SECTION 3.06. PERFORMANCE BOND. All officers and employees of the Bank shall be bonded for the honest and faithful performance of their duties for such amount as may be prescribed by the Board of Directors.

ARTICLE IV
TRUST DEPARTMENT

SECTION 4.01. TRUST DEPARTMENT. Pursuant to the fiduciary powers granted to this Bank under the provisions of Federal Law and Regulations of the Comptroller of the Currency, there shall be maintained a separate Trust Department of the Bank, which shall be operated in the manner specified herein.

SECTION 4.02. TRUST MANAGEMENT COMMITTEE. There shall be a standing Committee known as the Trust Management Committee, consisting of at least five members, a majority of whom shall not be officers of the Bank. The Committee shall consist of the Chairman of the Board who shall be Chairman of the Com- mittee, the President, and at least three other Directors appointed by the Board of Directors and who shall continue as members of the Committee until their successors are appointed. Any vacancy in the Trust Management Committee may be filled by the Board at any regular or special meeting. In the event of the absence of any member or members, such Committee may, in its discretion, appoint members of the Board to fill the place of such absent members to serve during such absence. Three members of the Committee shall constitute a quorum. Any member of the Committee may be removed by the Board by a majority vote at any regular or special meeting of the Board. The Committee shall meet at such times as it may determine or at the call of the Chairman, or President or any two members thereof.

The Trust Management Committee, under the general direction of the Board of Directors, shall supervise the policy of the Trust Department which shall be formulated and executed in accordance with Law, Regulations of the Comptroller of the Currency, and sound fiduciary principles.

SECTION 4.03. TRUST EXAMINATION COMMITTEE. There shall be a standing Committee known as the Trust Examination Committee, consisting of three directors appointed by the Board of Directors and who shall continue as members of the committee until their successors are appointed. Such members shall not be active officers of the Bank. Two members of the Committee shall constitute a quorum. Any member of the Committee may be removed by the Board by a majority vote at any regular or special meeting of the Board. The Committee shall meet at such times as it may determine or at the call of two members thereof.

This Committee shall, at least once during each calendar year and within fifteen months of the last such audit, or at such other time(s) as may be required by Regulations of the Comptroller of the Currency, make suitable audits of the Trust Department or cause suitable audits to be made by auditors responsible only to the Board of Directors, and at such time shall ascertain whether the Department has been administered in accordance with Law, Regulations of the Comptroller of the Currency and sound fiduciary principles.

The Committee shall promptly make a full report of such audits in writing to the Board of Directors of the Bank, together with a recommendation as to what action, if any, may be necessary to correct any unsatisfactory condition. A report of the audits together with the action taken thereon shall be noted in the Minutes of the Board of Directors and such report shall be a part of the records of this Bank.

SECTION 4.04. MANAGEMENT. The Trust Department shall be under the management and supervision of an officer of the Bank or of the trust affiliate of the Bank designated by and subject to the advice and direction of the Chief Executive Officer. Such officer having supervisory responsibility over the Trust Department shall do or cause to be done all things necessary or proper in carrying on the business of the Trust Department in accordance with provisions of law and applicable regulations.

SECTION 4.05. HOLDING OF PROPERTY. Property held by the Trust Department may be carried in the name of the Bank in its fiduciary capacity, in the name of Bank, or in the name of a nominee or nominees.

SECTION 4.06. TRUST INVESTMENTS. Funds held by the Bank in a fiduciary capacity awaiting investment or distribution shall not be held uninvested or undistributed any longer than is reasonable for the proper management of the account and shall be invested in accordance with the instrument establishing a fiduciary relationship and local law. Where such instrument does not specify the character or class of investments to be made and does not vest in the Bank any discretion in the matter, funds held pursuant to such instrument shall be invested in any investment which corporate fiduciaries may invest under local law.

The investments of each account in the Trust Department shall be kept separate from the assets of the Bank, and shall be placed in the joint custody or control of not less than two of the officers or employees of the Bank or of the trust affiliate of the Bank designated for the purpose by the Trust Management Committee.

SECTION 4.07. EXECUTION OF DOCUMENTS. The Chief Executive Officer, Chairman of the Board, President, any officer of the Trust Department, and such other officers of the trust affiliate of the Bank as are specifically designated and authorized by the Chief Executive Officer, the President, or the officer in charge of the Trust Department, are hereby authorized, on behalf of this Bank, to sell, assign, lease, mortgage, transfer, deliver and convey any real property or personal property and to purchase and acquire any real or personal property and to execute and deliver such agreements, contracts, or other papers and documents as may be appropriate in the circumstances for property now or hereafter owned by or standing in the name of this Bank, or its nominee, in any fiduciary capacity, or in the name of any principal for whom this Bank may now or hereafter be acting under a power of attorney, or as agent and to execute and deliver partial releases from any discharges or assignments or mortgages and assignments or surrender of insurance policies, to execute and deliver deeds, contracts, leases, assignments, bills of

sale, transfers or such other papers or documents as may be appropriate in the circumstances for property now or hereafter held by this Bank in any fiduciary capacity or owned by any principal for whom this Bank may now or hereafter be acting under a power of attorney or as agent; to execute and deliver settlement agreements or other papers or documents as may be appropriate in connection with a dismissal authorized by Section 3.01(c) of these By-laws; provided that the signature of any such person shall be attested in each case by any officer of the Trust Department or by any other person who is specifically authorized by the Chief Executive Officer, the President or the officer in charge of the Trust Department.

The Chief Executive Officer, Chairman of the Board, President, any officer of the Trust Department and such other officers of the trust affiliate of the Bank as are specifically designated and authorized by the Chief Executive Officer, the President, or the officer in charge of the Trust Department, or any other person or corporation as is specifically authorized by the Chief Executive Officer, the President or the officer in charge of the Trust Department, are hereby authorized on behalf of this Bank, to sign any and all pleadings and papers in probate and other court proceedings, to execute any indemnity and fidelity bonds, trust agreements, proxies or other papers or documents of like or different character necessary, desirable or incidental to the appointment of the Bank in any fiduciary capacity and the conduct of its business in any fiduciary capacity; also to foreclose any mortgage, to execute and deliver receipts for payments of principal, interest, dividends, rents, fees and payments of every kind and description paid to the Bank; to sign receipts for property acquired or entrusted to the Bank; also to sign stock or bond certificates on behalf of this Bank in any fiduciary capacity and on behalf of this Bank as transfer agent or registrar; to guarantee the genuineness of signatures on assignments of stocks, bonds or other securities, and to authenticate bonds, debentures, land or lease trust certificates or other forms of security issued pursuant to any indenture under which this Bank now or hereafter is acting as

Trustee. Any such person, as well as such other persons as are specifically authorized by the Chief Executive Officer or the officer in charge of the Trust Department, may sign checks, drafts and orders for the payment of money executed by the Trust Department in the course of its business.

SECTION 4.08. VOTING OF STOCK. The Chairman of the Board, President, any officer of the Trust Department, any officer of the trust affiliate of the Bank and such other persons as may be specifically authorized by Resolution of the Trust Management Committee or the Board of Directors, may vote shares of stock of a corporation of record on the books of the issuing company in the name of the Bank or in the name of the Bank as fiduciary, or may grant proxies for the voting of such stock of the granting if same is permitted by the instrument under which the Bank is acting in a fiduciary capacity, or by the law applicable to such fiduciary account. In the case of shares of stock which are held by a nominee of the Bank, such shares may be voted by such person(s) authorized by such nominee.

ARTICLE V
STOCKS AND STOCK CERTIFICATES

SECTION 5.01. STOCK CERTIFICATES. The shares of stock of the Bank shall be evidenced by certificates which shall bear the signature of the Chairman of the Board, the President, or a Vice President (which signature may be engraved, printed or impressed), and shall be signed manually by the Secretary, or any other officer appointed by the Chief Executive Officer for that purpose.

In case any such officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued by the Bank with the same effect as if such officer had not ceased to be such at the time of its issue. Each such certificate shall bear the corporate seal of the Bank, shall recite on its fact that the stock represented thereby is transferable only upon the books of the Bank properly endorsed and shall recite such other information as is required by law and deemed appropriate by the Board. The corporate seal may be facsimile engraved or printed.

SECTION 5.02. STOCK ISSUE AND TRANSFER. The shares of stock of the Bank shall be transferable only upon the stock transfer books of the Bank and except as hereinafter provided, no transfer shall be made or new certificates issued except upon the surrender for cancellation of the certificate or certificates previously issued therefor. In the case of the loss, theft, or destruction of any certificate, a new certificate may be issued in place of such certificate upon the furnishing of any affidavit setting forth the circumstances of such loss, theft, or destruction and indemnity satisfactory to the Chairman of the Board, the President, or a Vice President. The Board of Directors, or the Chief Executive Officer, may authorize the issuance of a new certificate therefor without the furnishing of indemnity. Stock Transfer Books, in which all transfers of stock shall be recorded, shall be provided.

The stock transfer books may be closed for a reasonable period and under such conditions as the Board of Directors may at any time determine for any meeting of shareholders, the payment of dividends or any other lawful purpose. In lieu of closing the transfer books, the Board may, in its discretion, fix a record date and hour constituting a reasonable period prior to the day designated for the holding of any meeting of the shareholders or the day appointed for the payment of any dividend or for any other purpose at the time as of which shareholders entitled to notice of and to vote at any such meeting or to receive such dividend or to be treated as shareholders for such other purpose shall be determined, and only shareholders of record at such time shall be entitled to notice of or to vote at such meeting or to receive such dividends or to be treated as shareholders for such other purpose.

ARTICLE VI
MISCELLANEOUS PROVISIONS

SECTION 6.01. SEAL. The impression made below is an impression of the seal adopted by the Board of Directors of BANK ONE, NA f/k/a Bank One, Columbus, NA. The Seal may be affixed by any officer of the Bank to any document executed by an authorized officer on behalf of the Bank, and any officer may certify any act, proceedings, record, instrument or authority of the Bank.

SECTION 6.02. BANKING HOURS. Subject to ratification by the Executive Committee, the Bank and each of its Branches shall be open for business on such days and during such hours as the Chief Executive Officer of the Bank shall, from time to time, prescribe.

SECTION 6.03. MINUTE BOOK. The organization papers of this Bank, the Articles of Association, the returns of the judges of elections, the By-Laws and any amendments thereto, the proceedings of all regular and special meetings of the shareholders and of the Board of Directors, and reports of the committees of the Board of Directors shall be recorded in the minute book of the Bank. The minutes of each such meeting shall be signed by the presiding Officer and attested by the secretary of the meetings.

SECTION 6.04. AMENDMENT OF BY-LAWS. These By-Laws may be amended by vote of a majority of the Directors.

EXHIBIT 6

Securities and Exchange Commission
Washington, D.C. 20549

CONSENT

The undersigned, designated to act as Trustee under the Indenture for CALAIR CAPITAL CORPORATION and CALAIR L.L.C. described in the attached Statement of Eligibility and Qualification, does hereby consent that reports of examinations by Federal, State, Territorial, or District Authorities may be furnished by such authorities to the Commission upon the request of the Commission.

This Consent is given pursuant to the provision of Section 321(b) of the Trust Indenture Act of 1939, as amended.

Bank One, NA

Dated: July 30, 1998

By: /s/ DAVID KNOX

Authorized Signer

EXHIBIT 7

Board of Governors of the Federal Reserve System
OMB Number: 7100-0036
Federal Deposit Insurance Corporation
OMB Number: 3064-0052

Office of the Comptroller of the Currency
OMB Number: 1557-0081

FEDERAL FINANCIAL INSTITUTIONS
EXAMINATION COUNCIL

Expires March 31, 2000

Please refer to page i, [1]
Table of Contents, for
the required disclosure
of estimated burden.

CONSOLIDATED REPORTS OF CONDITION AND INCOME FOR
A BANK WITH DOMESTIC AND FOREIGN OFFICES - FFIEC 031

(980331)
REPORT AT THE CLOSE OF BUSINESS MARCH 31, 1998 ----------
(RCRI 9999)

This report is required by law: 12 U.S.C. Section 324 (State member banks); 12 U.S.C. Section 1817 (State nonmember banks); and 12 U.S.C. Section 161 (National banks).

This report form is to be filed by banks with branches and consolidated subsidiaries in U.S. territories and possessions, Edge or Agreement subsidiaries, foreign branches, consolidated foreign subsidiaries, or international Banking Facilities.

NOTE: The Reports of Condition and Income must be signed by an authorized officer and the Report of Condition must be attested to by not less than two directors (trustees) for State nonmember banks and three directors for State member and National banks.

I, C. William Willen, Vice-President

Name and Title of Officer Authorized to Sign Report

of the named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

/s/ C. William Willen

Signature of Officer Authorized to Sign Report

April 30, 1998

Date of Signature

The Reports of Condition and Income are to be prepared in accordance with Federal regulatory authority instructions.

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

/s/ Frederick L. Cullen

Director (Trustee)

/s/ David P. Lauer

Director (Trustee)

/s/ William M. Bennett

Director (Trustee)

SUBMISSION OF REPORTS

Each bank must prepare its Reports of Condition and Income either:

(a) in electronic form and then file the computer data file directly with the banking agencies' collection agent, Electronic Data Systems Corporation (EDS), by modem or on computer diskette; or

(b) in hard-copy (paper) form and arrange for another party to convert the paper report to electronic form. That party (if other than EDS) must transmit the bank's computer data file to EDS.

To fulfill the signature and attestation requirement for the Reports of Condition and Income for this report date, attach this signature page to the hard-copy record of the completed report that the bank places in its files.

FDIC Certificate Number | | | | | |
(RCRI 9050)

CALL NO. 203 31 03-31-98

STBK: 39-1580 00088 STCERT: 39-66559

BANK ONE, NATIONAL ASSOCIATION
100 EAST BROAD STREET, OH1-0121
COLUMBUS, OH 43271

Bank One, NA | Call Date: 03/31/98 | State #: | FFIEC 031
100 East Broad Street, OH1-1066 | Vendor ID: D | Cert #: 06559 | RC-1
Columbus, OH 43271 | Transit #: 04400037
Transmitted to EDS as 0101467 on 04/30/98 at 09:05:47 CST [11]

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL
AND STATE-CHARTERED SAVINGS BANKS FOR MARCH 31, 1998

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

SCHEDULE RC - BALANCE SHEET

C400<-

					Dollar Amounts in Thousands	
	ASSETS					
1.	Cash and balances due from depository Institutions (from Schedule RC-A):			RCFD		
	a. Noninterest-bearing balances and currency and coin(1)			0081	1,108,408	1.a
	b. Interest-bearing balances (2)			0071	1,100	1.b
2.	Securities					
	a. Held-to-maturity securities (from Schedule RC-B, column A)			1754	153,124	2.a
	b. Available-for-sale securities (from Schedule RC-B, column D)			1773	2,285,146	2.b
3.	Federal funds sold and securities purchased under agreements to resell			1350	0	3
4.	Loans and lease financing receivables:					
	a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122	18,887,996			4.a
	b. LESS: Allowance for loan and lease losses	3123	422,079			4.b
	c. LESS: Allocated transfer risk reserve	3128	0			4.c
	d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)			RCFD 2125	18,465,91	4.d
5.	Trading assets (from Schedule RC-D)			3545	0	5.
6.	Premises and fixed assets (including capitalized leases)			2145	194,830	6.
7.	Other real estate owned (from Schedule RC-M)			2150	9,427	7.
8.	Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	39,238	8.
9.	Customers liability to this bank on acceptances outstanding			2155	3,827	9.
10.	Intangible assets (from Schedule RC-M)			2143	140,696	10.
11.	Other assets (from Schedule RC-F)			2160	2,107,317	11.
12.	Total assets (sum of items 1 through 11)			2170	24,509,03	12.

(1) Includes cash items in process of collection and unposted debits.

(2) Includes time certificates of deposit not held for trading.

Bank One, NA | Call Date: 03/31/98 | State #: | FFIEC 031
100 East Broad Street, OH1-1066 | Vendor ID: D | Cert #: 06559 | RC-2
Columbus, OH 43271 | Transit #: 04400037
Transmitted to EDS as 0101467 on 04/30/98 at 09:05:47 CST | [12]

SCHEDULE RC - CONTINUED

				Dollar Amounts in Thousands		
LIABILITIES						
13.	Deposits:					
	a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	RCON		RCON 2200	15,013,853	13.a
	(1) Noninterest-bearing (1)	6631	3,550,812			13.a.1
	(2) Interest-bearing	6636	11,463,041			13.a.2
	b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E, part II)	RCFN		RCFN 2200	1,251,180	13.b
	(1) Noninterest-bearing	6631	0			13.b1
	(2) Interest-bearing	6636	1,251,180	RCFD		13.b2
14.	Federal funds purchased and securities sold under agreements to repurchase			2800	1,932,851	14
15.	a. Demand notes issued to the U.S. Treasury			RCON 2840	48,512	15.a
	b. Trading liabilities (from Schedule RC-D)			RCFD 3548	0	15.b
16.	Other borrowed money (includes mortgage indebtedness an obligations under capitalized leases):					
	a. With a remaining maturity of one year or less			2332	1,415,753	16.a
	b. With a remaining maturity of more than one year through three years			A547	470,997	16.b
	c. With a remaining maturity of more than three years			A548	639,840	16.c
17.	Not applicable					
18.	Bank's liability on acceptances executed and outstanding			2920	3,827	18
19.	Subordinated notes and debentures (2)			3200	729,193	19
20.	Other liabilities (from Schedule RC-G)			2930	1,038,774	20
21.	Total liabilities (sum of items 13 through 20)			2948	22,544,580	21
22.	Not applicable					
EQUITY CAPITAL						
23.	Perpetual preferred stock and related surplus			3838	0	23
24.	Common stock			3230	127,043	24
25.	Surplus (exclude all surplus related to preferred stock)			3839	738,352	25
26.	a. Undivided profits and capital reserves			3632	1,082,183	26.a
	b. Net unrealized holding gains (losses) on available-for-sale securities			8434	16,872	26.b
27.	Cumulative foreign currency translation adjustments			3284	0	27
28.	Total equity capital (sum of items 23 through 27)			3210	1,964,450	28
29.	Total liabilities and equity capital (sum of items 21 and 28)			3300	24,509,030	29
Memorandum						
TO BE REPORTED ONLY WITH THE MARCH REPORT OF CONDITION.						
1.	Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1997			RCFD 6724	Number N/A	M.1

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting

firm (may be required by state chartering authority)

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

5 = Review of the bank's financial statements by external auditors

6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work)

8 = No external audit work

- --------

(1) Includes total demand deposits and noninterest-bearing time and savings deposits.

(2) Includes limited-life preferred stock and related surplus.

EXHIBIT 99.1

CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
CONTINENTAL AIRLINES, INC.
LETTER OF TRANSMITTAL
FOR
TENDER OF ALL OUTSTANDING
8 1/8% SENIOR NOTES DUE 2008
IN EXCHANGE FOR 8 1/8% SENIOR NOTES DUE 2008,
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933
THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,
ON _____, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE")
OLD NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN
AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME,
ON THE BUSINESS DAY PRIOR TO THE EXPIRATION DATE
DELIVER TO THE EXCHANGE AGENT:
BANK ONE, N.A.

By Hand/Overnight Courier: Bank One, N.A. 235 West Schrock Road Westerville, OH 43271-0184 Attention: Corporate Trust Operations Lora Marsch (If by Mail, Registered Certified Mail Recommended)	Facsimile Transmission Number 614-244-5185 or 614-244-5188 (For Eligible Institutions Only) Confirm by Telephone 614-248-4856

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN THE ONE LISTED ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

The undersigned hereby acknowledges receipt and review of the Prospectus dated _____, 1998 (the "Prospectus") of Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc., Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair and Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation, and this Letter of Transmittal (the "Letter of Transmittal"), which together describe the offer of the Company and the Issuers (the "Exchange Offer") to exchange the Issuers' 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement of which the Prospectus is a part, for a like principal amount of the Issuers' issued and outstanding 8 1/8% Senior Notes due 2008 (the "Old Notes"). Capitalized terms used but not defined herein have the respective meaning given to them in the Prospectus.

The Company and the Issuers reserve the right, at any time or from time to time, to extend the Exchange Offer at their discretion, in which event the term "Expiration Date" shall mean the latest date to which the Exchange Offer is extended. The Company and the Issuers shall notify the holders of the Old Notes of any extension by oral or written notice and will mail to the record holders of Old Notes an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. The term "business day" shall mean any day which is not a Saturday, Sunday or day on which banks are authorized by law to close in the State of New York.

This Letter of Transmittal is to be used by a holder of Old Notes if original Old Notes, if available, are to be forwarded herewith or if delivery of Old Notes is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering" and "Book-Entry Transfer." Holders of Old Notes whose Old Notes

are not immediately available, or who are unable to deliver their Old Notes and all other documents required by this Letter of Transmittal to the Exchange Agent on or prior to the Expiration Date, or who are unable to complete the procedure for book-entry transfer on a timely basis, must tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus under the caption "The Exchange Offer -- Guaranteed Delivery Procedures." See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The term "holder" with respect to the Exchange Offer means any person in whose name Old Notes are registered on the books of the Issuers or any other person who has obtained a properly completed bond power from the registered holder. The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer. Holders who wish to tender their Old Notes must complete this Letter of Transmittal in its entirety.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW.

THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

List below the Old Notes to which this Letter of Transmittal relates. If the space below is inadequate, list the registered numbers and principal amounts on a separate signed schedule and affix the list to this Letter of Transmittal.

DESCRIPTION OF OLD NOTES TENDERED

Name(s) and Address(es) of Registered Holder(s) Exactly as Name(s) Appear(s) on Old Notes (Please Fill In, If Blank)	Old Note(s) Tendered		
	Registered Number(s)*	Aggregate Principal Amount Represented by Note(s)	Principal Amount Tendered**

* Need not be completed by book-entry holders.

** Unless otherwise indicated, any tendering holder of Old Notes will be deemed to have tendered the entire aggregate principal amount represented by such Old Notes. All tenders must be in integral multiples of $1,000.

[ ] CHECK HERE IF TENDERED OLD NOTES ARE ENCLOSED HEREWITH.

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name of Tendering Institution:_____

Account Number:_____

Transaction Code Number:_____

[ ] CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):

Name(s) of Registered holder(s) of Old Notes:_____

Date of Execution of Notice of Guaranteed Delivery:_____

Window Ticket Number (if available):_____

Name of Eligible Institution that Guaranteed Delivery:_____

Account Number (if delivered by book-entry transfer):_____

[ ] CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:

Name:_____

Address:_____

SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Subject to the terms and conditions of the Exchange Offer, the undersigned hereby tenders to the Company and the Issuers for exchange the principal amount of Old Notes indicated above. Subject to and effective upon the acceptance for exchange of the principal amount of Old Notes tendered in accordance with this Letter of Transmittal, the undersigned hereby exchanges, assigns and transfers to the Issuers all right, title and interest in and to the Old Notes tendered for exchange hereby. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent, the agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as the agent of the Company and the Issuers in connection with the Exchange Offer) with respect to the tendered Old Notes with full power of substitution to (i) deliver such Old Notes, or transfer ownership of such Old Notes on the account books maintained by the Book-Entry Transfer Facility, to the Issuers and deliver all accompanying evidences of transfer and authenticity, and (ii) present such Old Notes for transfer on the books of the Issuers and receive all benefits and otherwise exercise all rights of beneficial ownership of such Old Notes, all in accordance with the terms of the Exchange Offer. The power of attorney granted in this paragraph shall be deemed to be irrevocable and coupled with an interest.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign and transfer the Old Notes tendered hereby and to acquire the Exchange Notes issuable upon the exchange of such tendered Old Notes, and that the Issuers will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim, when the same are accepted for exchange by the Issuers and the Company.

The undersigned acknowledge(s) that this Exchange Offer is being made in reliance upon interpretations contained in no-action letters issued to third parties by the staff of the Securities and Exchange Commission (the "SEC"), including Exxon Capital Holdings Corporation, SEC No-Action Letter (available April 13, 1989), Morgan Stanley & Co. Inc., SEC No-Action Letter (available June 5, 1991) (the "Morgan Stanley Letter") and Shearman & Sterling, SEC No-Action Letter (available July 2, 1993), that the Exchange Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than a Participating Broker-Dealer), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders are not participating in, and have no arrangement with any person to participate in, the distribution of such Exchange Notes. The undersigned specifically represent(s) to the Company and the Issuers that (i) any Exchange Notes acquired in

exchange for Old Notes tendered hereby are being acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not the undersigned, (ii) the undersigned is not participating in, and has no arrangement with any person to participate in, the distribution of Exchange Notes, and (iii) neither the undersigned nor any such other person is an "affiliate" (as defined in Rule 405 under the Securities Act) of the Company or the Issuers or a broker-dealer tendering Old Notes acquired directly from the Company and the Issuers.

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The undersigned acknowledges that if the undersigned is participating in the Exchange Offer for the purpose of distributing the Exchange Notes (i) the undersigned cannot rely on the position of the staff of the SEC in the Morgan Stanley Letter and similar SEC no-action letters, and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction of the Exchange Notes, in which case the registration statement must contain the selling security holder information required by Item 507 or Item 508, as applicable, of Regulation S-K of the SEC, and (ii) a broker-dealer that delivers such a prospectus to purchasers in connection with such resales will be subject to certain of the civil liability provisions under the Securities Act and will be bound by the provisions of the Registration Agreement (including certain indemnification rights and obligations).

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent, the Company or the Issuers to be necessary or desirable to complete the exchange, assignment and transfer of the Old Notes tendered hereby, including the transfer of such Old Notes on the account books maintained by the Book-Entry Transfer Facility.

For purposes of the Exchange Offer, the Company and the Issuers shall be deemed to have accepted for exchange validly tendered Old Notes when, as and if the Company or the Issuers gives oral or written notice thereof to the Exchange Agent. Any tendered Old Notes that are not accepted for exchange pursuant to the Exchange Offer for any reason will be returned, without expense, to the undersigned at the address shown below or at a different address as may be indicated herein under "Special Delivery Instructions" as promptly as practicable after the Expiration Date.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall survive the death, incapacity or dissolution of the undersigned, and every obligation of the undersigned under this Letter of Transmittal shall be binding upon the undersigned's heirs, personal representatives, successors and assigns.

The undersigned acknowledges that the acceptance of properly tendered Old Notes by the Company and the Issuers pursuant to the procedures described under the caption "The Exchange Offer -- Procedures for Tendering" in the Prospectus and in the instructions hereto will constitute a binding agreement between the undersigned and the Company and the Issuers upon the terms and subject to the conditions of the Exchange Offer.

Unless otherwise indicated under "Special Issuance Instructions," please issue the Exchange Notes issued in exchange for the Old Notes accepted for exchange and return any Old Notes not tendered or not exchanged, in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail or deliver the Exchange Notes issued in exchange for the Old Notes accepted for exchange and any Old Notes not tendered or not exchanged (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Issuance Instructions" and "Special Delivery Instructions" are completed, please issue the Exchange Notes issued in exchange for the Old Notes accepted for exchange in the name(s) of, and return any Old Notes not tendered or not exchanged to, the person(s) so indicated. The undersigned recognizes that the Company and the Issuers have no obligation pursuant to the "Special Issuance Instructions" and "Special Delivery Instructions" to transfer any Old Notes from the name of the registered holder(s) thereof if the Company and the Issuers do not accept for exchange any of the Old Notes so tendered for exchange.

- ---

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY (i) if Old Notes in a principal amount not tendered, or Exchange Notes issued in exchange for Old Notes accepted for exchange, are to be issued in the name of someone other than the undersigned, or (ii) if Old Notes tendered by book-entry transfer which are not exchanged are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue Exchange Notes and/or Old Notes to:

Name:_____
(Please Type or Print)

_____

Address:_____

_____
(include Zip Code)

_____
(Tax Identification or Social Security Number)

[ ] Credit unexchanged Old Notes delivered by book-entry transfer to the Book-Entry Transfer Facility set forth below:

Book-Entry Transfer Facility Account Number:

(Complete Substitute Form W-9)

- ---

- ---

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 6)

To be completed ONLY if Old Notes in a principal amount not tendered, or Exchange Notes issued in exchange for Old Notes accepted for exchange, are to be mailed or delivered to someone other than the undersigned, or to the undersigned at an address other than that shown below the undersigned's signature.

Mail or deliver Exchange Notes and/or Old Notes to:

Name:_____
(Please Type or Print)

_____

Address:_____

_____
(include Zip Code)

_____
(Tax Identification or Social Security Number)

- ---

IMPORTANT
PLEASE SIGN HERE WHETHER OR NOT
OLD NOTES ARE BEING PHYSICALLY TENDERED HEREBY
(Complete Accompanying Substitute Form W-9 on Reverse Side)

X_____

X_____
(Signature(s) of Registered Holders or Old Notes)

_____, 1998

(The above lines must be signed by the registered holder(s) of Old Notes as name(s) appear(s) on the Old Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by a properly completed bond power from the registered holder(s), a copy of which must be transmitted with this Letter of Transmittal. If Old Notes to which this Letter of Transmittal relate are held of record by two or more joint holders, then all such holders must sign this Letter of Transmittal. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, then such person must (i) set forth his or her full title below and (ii) unless waived by the Company and the Issuers, submit evidence satisfactory to the Company and the Issuers of such person's authority so to act. See Instruction 5 regarding the completion of this Letter of Transmittal, printed below.)

Name(s):_____
(Please Type or Print)

Capacity:_____

Address:_____

_____
(Include Zip Code)

Area Code and Telephone Number:_____

SIGNATURE GUARANTEE
(If Required by Instruction 5)

Certain signatures must be Guaranteed by an Eligible Institution.

Signature(s) Guaranteed by an Eligible Institution:_____
(Authorized Signature)

_____
(Title)

_____
(Name of Firm)

_____
(Address, Include Zip Code)

_____
(Area Code and Telephone Number)

Dated:_____ , 1998

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. Delivery of this Letter of Transmittal and Old Notes or Book-Entry Confirmations. All physically delivered Old Notes or any confirmation of a book-entry transfer to the Exchange Agent's account at the Book-Entry Transfer Facility of Old Notes tendered by book-entry transfer (a "Book-Entry Confirmation"), as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile hereof, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein prior to 5:00 p.m., New York City time, on the Expiration Date. The method of delivery of the tendered Old Notes, this Letter of Transmittal and all other required documents to the Exchange Agent is at the election and risk of the holder and, except as otherwise provided below, the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the Exchange Agent before the Expiration Date. No Letter of Transmittal or Old Notes should be sent to the Company or the Issuers.

2. Guaranteed Delivery Procedures. Holders who wish to tender their Old Notes and whose Old Notes are not immediately available or who cannot deliver their Old Notes, this Letter of Transmittal or any other documents required hereby to the Exchange Agent prior to the Expiration Date or who cannot complete the procedure for book-entry transfer on a timely basis, must tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus. Pursuant to such procedures: (1) such tender must be made by or through a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers Inc., a commercial bank or a trust company having an office or correspondent in the United States or an "eligible guarantor institution" within the meaning of Rule 17Ad-15 under the Exchange Act (an "Eligible Institution"); (ii) prior to the Expiration Date, the Exchange Agent must have received from the Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of the Old Notes, the registration number(s) of such Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that, within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery, this Letter of Transmittal (or facsimile hereof) together with the certificates for all physically tendered Old Notes, in proper form for transfer (or a Book-Entry Confirmation) and any other documents required hereby, must be deposited by the Eligible Institution with the Exchange Agent; and (iii) the certificates for all physically tendered shares of Old Notes, in proper form for transfer (or Book-Entry Confirmation, as the case may be) and all other documents required hereby are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Any holder of Old Notes who wishes to tender Old Notes pursuant to the guaranteed delivery procedures described above must ensure that the Exchange Agent receives the Notice of Guaranteed Delivery prior to 5:00 p.m., New York City time, on the Expiration Date. Upon request of the Exchange Agent, a Notice of Guaranteed Delivery will be sent to holders who wish to tender their Old Notes according to the guaranteed delivery procedures set forth above.

See "The Exchange Offer -- Guaranteed Delivery Procedures" section of the Prospectus.

3. Tender by Holder. Only a holder of Old Notes may tender such Old Notes in the Exchange Offer. Any beneficial holder of Old Notes who is not the registered holder and who wishes to tender should arrange with the registered holder to execute and deliver this Letter of Transmittal on his behalf or must, prior to completing and executing this Letter of Transmittal and delivering his Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such holder's name or obtain a properly completed bond power from the registered holder.

4. Partial Tenders. Tenders of Old Notes will be accepted only in integral multiples of $1,000. If less than the entire principal amount of any Old Notes is tendered, the tendering holder should fill in the principal amount tendered in the third column of the box entitled "Description of Old Notes Tendered" above. The entire principal amount of Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated. If the entire principal amount of all Old Notes is not tendered, then Old Notes for the principal amount of Old Notes not tendered and Exchange Notes issued in exchange for any Old Notes accepted will be sent to the holder at his or her registered address, unless a different address is provided in the appropriate box on this Letter of Transmittal, promptly after the Old Notes are accepted for exchange.

5. Signatures on this Letter of Transmittal; Bond Powers and Endorsements; Guarantee of Signatures. If this Letter of Transmittal (or facsimile hereof) is signed by the record holder(s) of the Old Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the Old Notes without alteration, enlargement or any change whatsoever. If this Letter of Transmittal (or facsimile hereof) is signed by a participant in the Book-Entry Transfer Facility, the signature must correspond with the name as it appears on the security position listing as the holder of the Old Notes.

If this Letter of Transmittal (or facsimile hereof) is signed by the registered holder or holders of Old Notes listed and tendered hereby and the Exchange Notes issued in exchange therefor are to be issued (or any untendered principal amount of Old Notes is to be reissued) to the registered holder, the said holder need not and should not endorse any tendered Old Notes, nor provide a separate bond power. In any other case, such holder must either properly endorse the Old Notes tendered or transmit a properly completed separate bond power with this Letter of Transmittal, with the signatures on the endorsement or bond power guaranteed by an Eligible Institution.

If this Letter of Transmittal (or facsimile hereof) is signed by a person other than the registered holder or holders of any Old Notes listed, such Old Notes must be endorsed or accompanied by appropriate bond powers, in each case signed as the name of the registered holder or holders appears on the Old Notes.

If this Letter of Transmittal (or facsimile hereof) or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company or the Issuers, evidence satisfactory to the Company and the Issuers of their authority to act must be submitted with this Letter of Transmittal.

Endorsements on Old Notes or signatures on bond powers required by this Instruction 5 must be guaranteed by an Eligible Institution.

No signature guarantee is required if (i) this Letter of Transmittal (or facsimile hereof) is signed by the registered holder(s) of the Old Notes tendered herein (or by a participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the tendered Old Notes) and the Exchange Notes are to be issued directly to such registered holder(s) (or, if signed by a participant in the Book-Entry Transfer Facility, deposited to such participant's account at such Book-Entry Transfer Facility) and neither the box entitled "Special Delivery Instructions" nor the box entitled "Special Registration Instructions" has been completed, or (ii) such Old Notes are tendered for the account of an Eligible Institution. In all other cases, all signatures on this Letter of Transmittal (or facsimile hereof) must be guaranteed by an Eligible Institution.

6. Special Registration and Delivery Instructions. Tendering holders should indicate, in the applicable box or boxes, the name and address (or account at the Book-Entry Transfer Facility) to which Exchange Notes or substitute Old Notes for principal amounts not tendered or not accepted for exchange are to be issued or sent, if different from the name and address of the person signing this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

7. Transfer Taxes. The Company and the Issuers will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 7, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE OLD NOTES LISTED IN THIS LETTER OF TRANSMITTAL.

8. Tax Identification Number. Federal income tax law requires that a holder of any Old Notes which are accepted for exchange must provide the Issuers (as payor) with its correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual is his or her social security number. If the Issuers is not provided with the

correct TIN, the holder may be subject to a $50 penalty imposed by Internal Revenue Service. (If withholding results in an over-payment of taxes, a refund may be obtained). Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each tendering holder must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder is awaiting a TIN), and that (i) the holder has not been notified by the Internal Revenue Service that such holder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) the Internal Revenue Service has notified the holder that such holder is no longer subject to backup withholding. If the Old Notes are registered in more than one name or are not in the name of the actual owner, see the enclosed "Guidelines for Certification of Taxpayer Identification Number of Substitute Form W-9" for information on which TIN to report.

The Issuers reserve the right in its sole discretion to take whatever steps are necessary to comply with the Issuers' obligations regarding backup withholding.

9. Validity of Tenders. All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by the Company and the Issuers in their sole discretion, which determination will be final and binding. The Company and the Issuers reserve the absolute right to reject any and all Old Notes not properly tendered or any Old Notes which, if accepted, would, in the opinion of the Company and the Issuers or their counsel, be unlawful. The Company and the Issuers also reserve the absolute right to waive any conditions of the Exchange Offer or irregularities or conditions of tender as to particular Old Notes. The interpretation of the terms and conditions by the Company and the Issuers of the Exchange Offer (which includes this Letter of Transmittal and the instructions hereto) shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within such time as the Company and the Issuers shall determine. Neither the Company, the Issuers, the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Old Notes, nor shall any of them incur any liability for failure to give such notification.

10. Waiver of Conditions. The Company and the Issuers reserve the absolute right to waive, in whole or part, any of the conditions to the Exchange Offer set forth in the Prospectus.

11. No Conditional Tender. No alternative, conditional, irregular or contingent tender of Old Notes on transmittal of this Letter of Transmittal will be accepted.

12. Mutilated, Lost, Stolen or Destroyed Old Notes. Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

13. Requests for Assistance or Additional Copies. Requests for assistance or for additional copies of the Prospectus or this Letter of Transmittal may be directed to the Exchange Agent at the address or telephone number set forth on the cover page of this Letter of Transmittal. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer.

14. Withdrawal. Tenders may be withdrawn only pursuant to the limited withdrawal rights set forth in the Prospectus under the caption "The Exchange Offer -- Withdrawal of Tenders."

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A MANUALLY SIGNED FACSIMILE HEREOF (TOGETHER WITH THE OLD NOTES DELIVERED BY BOOK-ENTRY TRANSFER OR IN ORIGINAL HARD COPY FORM) MUST BE RECEIVED BY THE EXCHANGE AGENT, OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT, PRIOR TO THE EXPIRATION DATE.

SUBSTITUTE FORM W-9	PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number OR Employer Identification Number
DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART 2 -- Certification -- Under penalties of perjury, I certify that:	PART 3 --
	(1) The number shown on this form is my correct Awaiting TIN 9 Taxpayer Identification Number (or I am waiting for a number to be issued to me) and	Awaiting TIN [ ]
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	(2) I am not subject to backup withholding Please complete the either because I have not been notified by the Certificate of Awaiting Internal Revenue Service ("IRS") that I am subject to Taxpayer Identification backup withholding as a result of failure to report Number below. all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.	Please complete the Certificate of Awaiting Taxpayer Identification Number below.
	Certificate Instructions -- You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).	
	SIGNATURE_____ DATE_____, 1998	

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number to the payor within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.

_____ _____, 1998
Signature Date

CERTIFICATE FOR FOREIGN RECORD HOLDERS

Under penalties of perjury, I certify that I am not a United States citizen or resident (or I am signing for a foreign corporation, partnership, estate or trust).

_____ _____, 1998

Signature Date

EXHIBIT 99.2

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF ALL OUTSTANDING
8 1/8% SENIOR NOTES DUE 2008
IN EXCHANGE FOR
8 1/8% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

This form, or one substantially equivalent hereto, must be used by a holder to accept the Exchange Offer of Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc., Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair and Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation, and to tender 8 1/8% Senior Notes due 2008, (the "Old Notes") to the Exchange Agent pursuant to the guaranteed delivery procedures described in "The Exchange Offer --Guaranteed Delivery Procedures" of the Prospectus of the Company and the Issuers, dated _____, 1998 (the "Prospectus") and in Instruction 2 to the related Letter of Transmittal. Any holder who wishes to tender Old Notes pursuant to such guaranteed delivery procedures must ensure that the Exchange Agent receives this Notice of Guaranteed Delivery prior to the Expiration Date (as defined below) of the Exchange Offer. Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus or the Letter of Transmittal.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE"). OLD NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE BUSINESS DAY PRIOR TO THE EXPIRATION DATE.

The Exchange Agent for the Exchange Offer is:

BANK ONE, N.A.

By Hand/Overnight Courier:
Bank One, N.A.
235 West Schrock Road
Westerville, OH 43271-0184
Attention: Corporate Trust Operations
Lora Marsch
(If by Mail, Registered
Certified Mail Recommended)

Facsimile Transmission Number
614-244-5185
or 614-244-5188

(For Eligible Institutions Only)
Confirm by Telephone
614-248-4856

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE IN THE BOX PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.

Ladies and Gentlemen:

The undersigned hereby tenders to the Company and the Issuers, upon the terms and subject to the conditions set forth in the Prospectus and the related Letter of Transmittal, receipt of which is hereby acknowledged, the principal amount of Old Notes set forth below pursuant to the guaranteed delivery procedures set forth in the Prospectus and in Instruction 2 of the Letter of Transmittal.

The undersigned hereby tenders the Old Notes listed below:

Certificate Number(s) (if known) of Old Notes or Account Number at the Book-Entry Facility	Aggregate Principal Amount Represented	Aggregate Principal Amount Tendered

PLEASE SIGN AND COMPLETE

Names of Record Holders: _____

Signatures: _____

Address: _____

_____

Dated: _____, 1998

Area Code and Telephone Numbers: _____

This Notice of Guaranteed Delivery must be signed by the Holder(s) exactly as their name(s) appear on certificates for Old Notes or on a security position listing as the owner of Old Notes, or by person(s) authorized to become holder(s) by endorsements and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must provide the following information.

PLEASE PRINT NAME(S) AND ADDRESS(ES)

Name(s):

_____

_____

_____

Capacity:

_____

Address(es):

_____

_____

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc., or is a commercial bank or trust company having an office or correspondent in the United States, or is otherwise an "eligible guarantor institution" within the meaning of Rule 17 Ad-15 under the Securities Exchange Act of 1934, guarantees deposit with the Exchange Agent of the Letter of Transmittal (or facsimile thereof), together with the Old Notes tendered hereby in proper form for transfer (or confirmation of the book-entry transfer of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility described in the Prospectus under the caption "The Exchange Offer--Book-Entry Transfer" and in the Letter of Transmittal) and any other required documents, all by 5:00 p.m., New York City time, within five business days following the Expiration Date.

Name of Firm:

- ----------

(AUTHORIZED SIGNATURE)

Address:

- ----------

(INCLUDE ZIP CODE)

Name:

Area Code and Tel. Number:

Title:

(PLEASE TYPE OR PRINT)

- ----------

Date: , 1998

DO NOT SEND OLD NOTES WITH THIS FORM. ACTUAL SURRENDER OF OLD NOTES MUST BE MADE PURSUANT TO, AND BE ACCOMPANIED BY, A PROPERLY COMPLETED AND DULY EXECUTED LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS.

INSTRUCTIONS FOR NOTICE OF GUARANTEED DELIVERY

1. Delivery of this Notice of Guaranteed Delivery. A properly completed and duly executed copy of this Notice of Guaranteed Delivery and any other documents required by this Notice of Guaranteed Delivery must be received by the Exchange Agent at its address set forth herein prior to the Expiration Date. The method of delivery of this Notice of Guaranteed Delivery and any other required documents to the Exchange Agent is at the election and sole risk of the holder, and the delivery will be deemed made only when actually received by the Exchange Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. As an alternative to delivery by mail, the holders may wish to consider using an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery. For a description of the guaranteed delivery procedures, see Instruction 2 of the Letter of Transmittal.

2. Signatures on this Notice of Guaranteed Delivery. If this Notice of Guaranteed Delivery is signed by the registered holder(s) of the Old Notes referred to herein, the signature must correspond with the name(s) written on the face of the Old Notes without alteration, enlargement, or any change whatsoever. If this Notice of Guaranteed Delivery is signed by a participant of the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the Old Notes, the signature must correspond with the name shown on the security position listing as the owner of the Old Notes.

If this Notice of Guaranteed Delivery is signed by a person other than the registered holder(s) of any Old Notes listed or a participant of the Book-Entry Transfer Facility, this Notice of Guaranteed Delivery must be accompanied by appropriate bond powers, signed as the name of the registered holder(s) appears on the Old Notes or signed as the name of the participant shown on the Book-Entry Transfer Facility's security position listing.

If this Notice of Guaranteed Delivery is signed by a trustee, executor, administrator, guardian, attorney-in- fact, officer of a corporation, or other person acting in a fiduciary or representative capacity, such person should so indicate when signing and submit with the Letter of Transmittal evidence satisfactory to the Company of such person's authority to so act.

3. Requests for Assistance or Additional Copies. Questions and requests for assistance and requests for additional copies of the Prospectus may be directed to the Exchange Agent at the address specified in the Prospectus. Holders may also contact their broker, dealer, commercial bank, trust company, or other nominee for assistance concerning the Exchange Offer.

EXHIBIT 99.3

CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
CONTINENTAL AIRLINES, INC.

LETTER TO REGISTERED HOLDERS AND
DEPOSITORY TRUST COMPANY PARTICIPANTS FOR
TENDER OF ALL OUTSTANDING
8 1/8% SENIOR NOTES DUE 2008
IN EXCHANGE FOR
8 1/8% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,
ON _____, 1998. UNLESS EXTENDED (THE "EXPIRATION DATE").

OLD NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN
AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE
BUSINESS DAY PRIOR TO THE EXPIRATION DATE.

To Registered Holders and Depository Trust Company Participants:

We are enclosing herewith the material listed below relating to the offer by Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc., Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair and Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation, to exchange the Issuers' 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Issuers' issued and outstanding 8 1/8% Senior Notes due 2008, (the "Old Notes") upon the terms and subject to the conditions set forth in the Prospectus, dated _____, 1998, and the related Letter of Transmittal (which together constitute the "Exchange Offer").

Enclosed herewith are copies of the following documents:

1. Prospectus dated _____, 1998;

2. Letter of Transmittal (together with accompanying Substitute Form W-9 Guidelines);

3. Notice of Guaranteed Delivery;

4. Letter which may be sent to your clients for whose account you hold Old Notes in your name or in the name of your nominee; and

5. Letter which may be sent from your clients to you with such client's instruction with regard to the Exchange Offer.

We urge you to contact your clients promptly. Please note that the Exchange Offer will expire on the Expiration Date unless extended. The Exchange Offer is not conditioned upon any minimum number of Old Notes being tendered.

Pursuant to the Letter of Transmittal, each holder of Old Notes will represent to the Company and the Issuers that (i) the Exchange Notes acquired in exchange for Old Notes pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not the holder, (ii) the holder is not participating in, and has no arrangement with any person to participate in, the distribution of Exchange Notes within the meaning of the Securities Act, and (iii) neither the holder nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act) of the Company or the Issuers or a broker-dealer tendering Old Notes acquired directly from the Company or the Issuers. If the holder is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes.

The enclosed Letter to Clients contains an authorization by the beneficial owners of the Old Notes for you to make the foregoing representations.

The Company and the Issuers will not pay any fee or commission to any broker or dealer or to any other persons (other than the Exchange Agent) in connection with the solicitation of tenders of Old Notes pursuant to the Exchange Offer. The Company and the Issuers will pay or cause to be paid any transfer taxes payable on the transfer of Old Notes to them, except as otherwise provided in Instruction 7 of the enclosed Letter of Transmittal.

Additional copies of the enclosed material may be obtained from the undersigned.

Very truly yours,

CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
CONTINENTAL AIRLINES, INC.

EXHIBIT 99.4

CALAIR L.L.C.
CALAIR CAPITAL CORPORATION
CONTINENTAL AIRLINES, INC.

LETTER TO CLIENTS
FOR
TENDER OF ALL OUTSTANDING
8 1/8% SENIOR NOTES DUE 2008
IN EXCHANGE FOR
8 1/8% SENIOR NOTES DUE 2008
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,
ON _____, 1998, UNLESS EXTENDED (THE "EXPIRATION DATE").
NOTES TENDERED IN THE EXCHANGE OFFER MAY BE WITHDRAWN
AT ANY TIME PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE
BUSINESS DAY PRIOR TO THE EXPIRATION DATE.

To Our Clients:

We are enclosing herewith a Prospectus, dated _____, 1998, of Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc., Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair and Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation and a related Letter of Transmittal (which together constitute the "Exchange Offer") relating to the offer by the Company and the Issuers, to exchange the Issuers' 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Issuers' issued and outstanding 8 1/8% Senior Notes due 2008 (the "Old Notes"), upon the terms and subject to the conditions set forth in the Exchange Offer.

The Exchange Offer is not conditioned upon any minimum number of Old Notes being tendered.

We are the holder of record of Old Notes held by us for your own account. A tender of such Old Notes can be made only by us as the record holder and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Old Notes held by us for your account.

We request instructions as to whether you wish to tender any or all of the Old Notes held by us for your account pursuant to the terms and conditions of the Exchange Offer. We also request that you confirm that we may on your behalf make the representations and warranties contained in the Letter of Transmittal.

Very truly yours,

PLEASE RETURN YOUR INSTRUCTIONS TO US IN THE ENCLOSED ENVELOPE WITHIN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION DATE.

INSTRUCTION TO REGISTERED HOLDER AND/OR BOOK ENTRY TRANSFER PARTICIPANT

To Registered Holder and/or Participant of the Book-Entry Transfer Facility:

The undersigned hereby acknowledges receipt of the Prospectus dated _____, 1998 (the "Prospectus") of Calair L.L.C. ("Calair"), a Delaware limited liability company and an indirect subsidiary of Continental Airlines, Inc., Calair Capital Corporation ("Calair Capital" and, together with Calair, the "Issuers"), a Delaware corporation and a wholly owned subsidiary of Calair and Continental Airlines, Inc. ("Continental" or the "Company"), a Delaware corporation, and the accompanying Letter of Transmittal (the "Letter of Transmittal"), that together constitute the offer of the Company and the Issuers (the "Exchange Offer") to exchange the Issuers' 8 1/8% Senior Notes due 2008 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for all of the Issuers' outstanding 8 1/8% Senior Notes due 2008, (the "Old Notes"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

This will instruct you, the registered holder and/or book-entry transfer facility participant, as to the action to be taken by you relating to the Exchange Offer with respect to the Old Notes held by you for the account of the undersigned.

The aggregate face amount of the Old Notes held by you for the account of the undersigned is (FILL IN AMOUNT):

$_____ of the 8 1/8% Senior Notes due 2008.

With respect to the Exchange Offer, the undersigned hereby instructs you (CHECK APPROPRIATE BOX):

[ ] To TENDER the following Old Notes held by you for the account of the undersigned (INSERT PRINCIPAL AMOUNT OF OLD NOTES TO BE TENDERED) (IF ANY): $_____.

[ ] NOT to TENDER any Old Notes held by you for the account of the undersigned.

If the undersigned instructs you to tender the Old Notes held by you for the account of the undersigned, it is understood that you are authorized to make, on behalf of the undersigned (and the undersigned by its signature below, hereby makes to you), the representations and warranties contained in the Letter of Transmittal that are to be made with respect to the undersigned as a beneficial owner, including but not limited to the representations, that (i) the Exchange Notes acquired in exchange for Old Notes pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not the undersigned, (ii) the undersigned is not participating in, and has no arrangement with any person to participate in, the distribution within the meaning of the Securities Act and (iii) neither the undersigned nor any such other person is an "affiliate" (within the meaning of Rule 405 under the Securities Act) of the Company or the Issuers or a broker-dealer tendering Old Notes acquired directly from the Company or the Issuers. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes.

SIGN HERE

Name of beneficial owner(s):

Signature(s):

Name(s) (please print):

Address:

Telephone Number:

Taxpayer Identification or Social Security Number:

Date:
