

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-10323

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

74-2099724

(State or other jurisdiction

(I.R.S. Employer

of incorporation or organization)

Identification No.)

1600 Smith Street, Dept. HQSEO

Houston, Texas 77002

(Address of principal executive offices)

(Zip Code)

713-324-2950

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 12, 2007, 98,134,417 shares of Class B common stock of the registrant were outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

**CONTINENTAL AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share data) (Unaudited)

	<u>Three Months</u> <u>Ended September 30,</u>		<u>Nine Months</u> <u>Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Revenue:				
Passenger (excluding fees and taxes of \$399, \$361, \$1,136, and \$1,040, respectively)	\$3,511	\$3,231	\$ 9,802	\$9,141
Cargo	112	117	328	336
Other	<u>197</u>	<u>170</u>	<u>579</u>	<u>494</u>
	<u>3,820</u>	<u>3,518</u>	<u>10,709</u>	<u>9,971</u>
Operating Expenses:				
Aircraft fuel and related taxes	895	858	2,399	2,310
Wages, salaries and related costs	836	743	2,404	2,159
Regional capacity purchase, net	446	475	1,319	1,344

Aircraft rentals	249	249	745	742
Landing fees and other rentals	209	195	592	578
Distribution costs	171	157	508	495
Maintenance, materials and repairs	166	140	479	407
Depreciation and amortization	106	99	306	292
Passenger services	105	97	294	268
Special charges	12	1	30	5
Other	<u>345</u>	<u>312</u>	<u>1,027</u>	<u>923</u>
	<u>3,540</u>	<u>3,326</u>	<u>10,103</u>	<u>9,523</u>
Operating Income	<u>280</u>	<u>192</u>	<u>606</u>	<u>448</u>
Nonoperating Income (Expense):				
Interest expense	(96)	(99)	(289)	(300)
Interest capitalized	8	5	19	14
Interest income	44	37	121	92
Income from other companies	3	15	13	49
Gain on sale of ExpressJet Holdings shares	-	-	7	-
Gain on sale of Copa Holdings, S.A. shares	-	92	-	92
Other, net	<u>2</u>	<u>(5)</u>	<u>18</u>	<u>1</u>
	<u>(39)</u>	<u>45</u>	<u>(111)</u>	<u>(52)</u>
Income before Income Taxes and Cumulative Effect of Change in Accounting Principle	241	237	495	396
Income Taxes	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>-</u>
Income before Cumulative Effect of Change in Accounting Principle	241	237	491	396
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26)</u>
Net Income	<u>\$ 241</u>	<u>\$ 237</u>	<u>\$ 491</u>	<u>\$ 370</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Earnings per Share:				
Basic:				
Income before Cumulative Effect of Change in Accounting Principle	\$ 2.47	\$ 2.64	\$ 5.08	\$ 4.49
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.30)</u>

Net Income	\$ <u>2.47</u>	\$ <u>2.64</u>	\$ <u>5.08</u>	\$ <u>4.19</u>
Diluted:				
Income before Cumulative Effect of Change in Accounting Principle	\$ 2.15	\$ 2.17	\$ 4.42	\$ 3.74
Cumulative Effect of Change in Accounting Principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.24)</u>
Net Income	\$ <u>2.15</u>	\$ <u>2.17</u>	\$ <u>4.42</u>	\$ <u>3.50</u>
Shares Used for Computation:				
Basic	98	90	97	88
Diluted	114	112	115	110

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

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

ASSETS	September 30, <u>2007</u> (Unaudited)	December 31, <u>2006</u> (Unaudited)	September 30, <u>2006</u> (Unaudited)
Current Assets:			
Cash and cash equivalents	\$ 2,519	\$ 2,123	\$ 2,217
Short-term investments	<u>518</u>	<u>361</u>	<u>282</u>
Total unrestricted cash, cash equivalents and short-term investments	3,037	2,484	2,499
Restricted cash	178	265	247
Accounts receivable, net	712	582	666
Spare parts and supplies, net	269	217	218
Deferred income taxes	200	165	166
Prepayments and other	<u>424</u>	<u>416</u>	<u>449</u>
Total current assets	<u>4,820</u>	<u>4,129</u>	<u>4,245</u>
Property and Equipment:			
Owned property and equipment:			
Flight equipment	7,184	6,973	6,951
Other	<u>1,510</u>	<u>1,430</u>	<u>1,403</u>
	8,694	8,403	8,354
Less: Accumulated depreciation	<u>2,721</u>	<u>2,539</u>	<u>2,492</u>
	<u>5,973</u>	<u>5,864</u>	<u>5,862</u>
Purchase deposits for flight equipment	<u>334</u>	<u>183</u>	<u>166</u>
Capital leases	298	303	336
Less: Accumulated amortization	<u>91</u>	<u>87</u>	<u>116</u>
	<u>207</u>	<u>216</u>	<u>220</u>
Total property and equipment, net	<u>6,514</u>	<u>6,263</u>	<u>6,248</u>
Routes	484	484	484
Airport operating rights, net	109	120	123
Investment in other companies	65	81	75
Intangible pension asset	-	-	60
Other assets, net	<u>217</u>	<u>231</u>	<u>231</u>
Total Assets	<u>\$12,209</u>	<u>\$11,308</u>	<u>\$11,466</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, <u>2007</u> (Unaudited)	December 31, <u>2006</u> (Unaudited)	September 30, <u>2006</u> (Unaudited)
Current Liabilities:			
Current maturities of long-term debt and capital leases	\$ 464	\$ 574	\$ 763
Accounts payable	1,169	1,076	1,053
Air traffic and frequent flyer liability	2,105	1,712	1,817
Accrued payroll	374	233	232
Accrued other liabilities	<u>222</u>	<u>260</u>	<u>261</u>

Accrued other liabilities	<u>322</u>	<u>300</u>	<u>301</u>
Total current liabilities	<u>4,435</u>	<u>3,955</u>	<u>4,226</u>
Long-Term Debt and Capital Leases	<u>4,651</u>	<u>4,859</u>	<u>4,735</u>
Deferred Income Taxes	<u>200</u>	<u>165</u>	<u>166</u>
Accrued Pension Liability	<u>898</u>	<u>1,149</u>	<u>987</u>
Accrued Retiree Medical Benefits	<u>224</u>	<u>203</u>	<u>52</u>
Other	<u>584</u>	<u>630</u>	<u>596</u>
Commitments and Contingencies			
Stockholders' Equity:			
Preferred Stock - \$.01 par, 10,000,000 shares authorized; one share of Series B issued and outstanding, stated at par value	-	-	-
Class B common stock - \$.01 par, 400,000,000 shares authorized; 97,956,627, 91,816,121 and 115,390,453 issued	1	1	1
Additional paid-in capital	1,594	1,370	1,711
Retained earnings (accumulated deficit)	480	(11)	776
Accumulated other comprehensive loss	(858)	(1,013)	(643)
Treasury stock - 0, 0 and 25,489,506 shares, at cost	<u>-</u>	<u>-</u>	<u>(1,141)</u>
Total stockholders' equity	<u>1,217</u>	<u>347</u>	<u>704</u>
Total Liabilities and Stockholders' Equity	<u>\$ 12,209</u>	<u>\$ 11,308</u>	<u>\$ 11,466</u>

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

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

	Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Net income	\$ 491	\$ 370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	306	292
Special charges	30	5
Gains on sales of investments	(7)	(92)
Undistributed equity in the income from other companies	(13)	(30)
Cumulative effect of change in accounting principle	-	26
Stock-based compensation related to equity awards	19	23
Other, net	34	34
Changes in operating assets and liabilities	<u>216</u>	<u>268</u>
Net cash provided by operating activities	\$ <u>1,076</u>	<u>896</u>
Cash Flows from Investing Activities:		
Capital expenditures	(228)	(235)
Purchase of short-term investments, net	(157)	(48)
Purchase deposits paid in connection with future aircraft deliveries, net	(145)	(65)
Decrease (increase) in restricted cash, net	87	(6)
Proceeds from sale of ExpressJet Holdings shares, net	35	-
Proceeds from sale of Copa Holdings, S.A. shares, net	-	156
Proceeds from sales of property and equipment	10	17
Other	<u>-</u>	<u>1</u>
Net cash used in investing activities	<u>(398)</u>	<u>(180)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	(337)	(647)
Proceeds from issuance of long-term debt	25	372
Proceeds from issuance of common stock pursuant to stock plans	<u>30</u>	<u>53</u>
Net cash used in financing activities	<u>(282)</u>	<u>(222)</u>
Net Increase in Cash and Cash Equivalents	396	494
Cash and Cash Equivalents - Beginning of Period	<u>2,123</u>	<u>1,723</u>
Cash and Cash Equivalents - End of Period	<u>\$2,519</u>	<u>\$2,217</u>
Investing and Financing Activities Not Affecting Cash:		
Common stock issued upon conversion of 4.5% Convertible Notes	\$ 170	\$ -
Property and equipment acquired through the issuance of debt	\$ 190	\$ 160

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

CONTINENTAL AIRLINES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In our opinion, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly our financial position, results of operations and cash flows for the periods indicated. Such adjustments, other than nonrecurring adjustments that have been separately disclosed, are of a normal, recurring nature.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2006 (the "2006 Form 10-K"). Due to seasonal fluctuations common to the airline industry, our results of operations for the periods presented are not necessarily indicative of the results of operations to be expected for the entire year. As used in these Notes to Consolidated Financial Statements, the terms "Continental," "we," "us," "our" and similar terms refer to Continental Airlines, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries.

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

NOTE 1 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

We adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"), effective January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. The adoption of FIN 48 did not have a material effect on our consolidated financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. SFAS 157 is effective for us as of January 1, 2008. We are currently evaluating the requirements of this statement and have not determined the impact, if any, that adoption of SFAS 157 will have on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 allows entities the option to measure at fair value eligible financial instruments that are not currently measured at fair value. This election, which may be applied on an instrument by instrument basis, is typically irrevocable once made. SFAS 159 is effective for us as of January 1, 2008. We have not yet determined whether we will elect the fair value option permitted under this statement. Therefore, we have not determined the impact, if any, that adoption of SFAS 159 will have on our consolidated financial statements.

NOTE 2 - EARNINGS PER SHARE

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

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>Ended September 30,</u>		<u>Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Numerator:				
Numerator for basic earnings per share - net income	\$241	\$237	\$491	\$370
Effect of dilutive securities - interest expense on:				
5% Convertible Notes	2	1	5	4
6% Convertible Junior Subordinated Debentures Held by Subsidiary Trust	3	2	9	8
4.5% Convertible Notes	-	2	1	5
Reduction in our proportionate equity in ExpressJet Holdings, Inc. ("Holdings") resulting from the assumed conversion of Holdings' convertible securities	—	—	—	—(1)
Numerator for diluted earnings per share - net income after assumed conversions	<u>\$ 246</u>	<u>\$ 242</u>	<u>\$ 506</u>	<u>\$ 386</u>
Denominator:				
Denominator for basic earnings per share - weighted-average shares	<u>98</u>	<u>90</u>	<u>97</u>	<u>88</u>
Effect of dilutive securities:				
5% Convertible Notes	9	9	9	9
6% Convertible Junior Subordinated Debentures Held by Subsidiary Trust	4	4	4	4
4.5% Convertible Notes	-	5	1	5
Employee stock options	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>
Dilutive potential common shares	<u>16</u>	<u>22</u>	<u>18</u>	<u>22</u>
Denominator for diluted earnings per share - weighted-average shares after assumed conversions	<u>114</u>	<u>112</u>	<u>115</u>	<u>110</u>

The adjustments to net income to determine the numerator for diluted earnings per share are net of the related effect of profit sharing and income taxes.

Approximately one million weighted average options to purchase shares of our common stock were excluded from the computation of diluted earnings per share for each of the three months ended September 30, 2007 and 2006 and the nine months ended September 30, 2007 and 2006 because the options' exercise prices were greater than the average market price of the common shares during the relevant period or the effect of including the options would have been antidilutive.

NOTE 3 - FLEET INFORMATION

As of September 30, 2007, we owned or leased 368 mainline jets and 274 regional jets. All mainline jets are operated exclusively by us. Of the 274 regional jets that we own or lease, 205 are leased or subleased to ExpressJet Airlines, Inc. ("ExpressJet") and operated on our behalf under a capacity purchase agreement with ExpressJet. The remaining 69 regional jet aircraft are subleased to ExpressJet, but are not operated on our behalf and, accordingly, are not included in the operating fleet table below. Additionally, our regional operating fleet includes 58 regional jet and turboprop aircraft owned or leased by third parties that are operated on our behalf by other operators under capacity purchase agreements. See Note 9 for a discussion of our regional capacity purchase agreements.

The following table summarizes our operating fleet (aircraft operated by us and by others on our behalf) as of September 30, 2007:

<u>Aircraft Type</u>	<u>Total</u>	<u>Owned</u>	<u>Leased</u>	<u>Third-Party Aircraft</u>
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Mainline:				
777-200ER	20	8	12	-
767-400ER	16	14	2	-
767-200ER	10	9	1	-
757-300	17	9	8	-
757-200	41	13	28	-
737-900	12	8	4	-
737-800	105	32	73	-
737-700	36	12	24	-
737-500	63	15	48	-
737-300	<u>48</u>	<u>20</u>	<u>28</u>	<u>-</u>
Total mainline	<u>368</u>	<u>140</u>	<u>228</u>	<u>-</u>
Regional:				
ERJ-145XR	60	-	60	-
ERJ-145	135	18	97	20
ERJ-135	30	-	30	-
CRJ200LR	24	-	-	24
Q200	8	-	-	8
Beech1900	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
Total regional	<u>263</u>	<u>18</u>	<u>187</u>	<u>58</u>
Total	<u>631</u>	<u>158</u>	<u>415</u>	<u>58</u>

Fleet Activity. During the first nine months of 2007, we took delivery of, and placed into service, two new 777-200ER aircraft. Although we did not take delivery of any new regional aircraft, we began regional service with a third party who is operating 44 of its aircraft on our behalf. We also removed 67 regional aircraft from our capacity purchase agreement with ExpressJet and we are now subleasing such aircraft, together with the two regional jets we removed during 2006, to ExpressJet outside the scope of the capacity purchase agreement.

Firm Order and Option Aircraft. As of September 30, 2007, we had firm commitments for 89 new aircraft (64 Boeing 737 aircraft and 25 Boeing 787 aircraft), with an estimated aggregate cost of \$5.0 billion including related spare engines. We are scheduled to take delivery of the 89 firm order Boeing aircraft between 2008 and 2013. In addition to our firm order aircraft, we have options to purchase a total of 92 additional Boeing aircraft.

During the third quarter of 2007, we entered into agreements to sell 15 owned Boeing 737-500 aircraft. We have agreed to sell ten of these aircraft to TRANSAERO Airlines of Russia. The first aircraft was delivered in October 2007 and the remaining nine aircraft are scheduled to be delivered during the period from November 2007 through November 2008. In addition, we have agreed to sell five aircraft to a subsidiary of VTB-Leasing of Russia, with delivery dates during the period from December 2007 through December 2008. We will operate each aircraft until shortly before its delivery date. These transactions are subject to customary closing conditions, some of which are outside our control, and we cannot give any assurances that the closing of these transactions will occur. Based on the terms of these transactions, we do not believe that there is any impairment of these aircraft.

On April 10, 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We expect to apply the financing to 30 of the 33 Boeing 737 aircraft scheduled to be delivered in 2008, although we may instead choose to substitute certain Boeing 737 aircraft scheduled to be delivered in the first quarter of 2009. Pass-through trusts raised \$1.1 billion through the issuance of three classes of pass-through certificates. Class A certificates, with an aggregate principal amount of \$757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of \$222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of \$168 million, bear interest at 7.339%. The proceeds from the sale of the certificates are initially being held by a depository in escrow for the benefit of the certificate holders until we use such funds to purchase the aircraft. These escrowed funds are not guaranteed by us and are not reported as debt on our consolidated balance sheet because the proceeds held by the depository are not our assets and interest earned on the proceeds as well as any unused proceeds will be distributed directly to the certificate holders. As we take delivery of each aircraft, we will issue equipment notes to the trusts, which will purchase such notes with a portion of the escrowed funds. We will use the proceeds to finance the purchase of the aircraft and will record the principal amount of the equipment notes that we issue as debt on our consolidated balance sheet. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates. Additionally, the Class A and B certificates have the benefit of a liquidity facility under which a third party agrees to make up to three semiannual interest payments on the certificates if a default in the payment of interest occurs.

We have manufacturer backstop financing for up to 22 (depending on the model selected) of the Boeing 737 aircraft scheduled to be delivered through the end of 2009 and not otherwise covered by the financing described above. However, we do not have backstop financing or any other financing currently in place for at least two (depending on the model selected) of the Boeing 737 aircraft scheduled to be delivered through the end of 2009, any of the ten Boeing 737 aircraft scheduled to be delivered after 2009 or the 25 Boeing 787 aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that such further financing will be available.

NOTE 4 - LONG-TERM DEBT

In January 2007, \$170 million in principal amount of our 4.5% Convertible Notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of \$40 per share. The remaining \$30 million in principal amount was paid on February 1, 2007.

During the first nine months of 2007, we incurred \$190 million of floating rate indebtedness pursuant to existing finance agreements secured by two 777-200ER aircraft that were delivered in March and April 2007. This indebtedness consists of \$156 million of senior notes due in 2019 and \$34 million of junior notes due in 2014. The loans bear interest at the London Interbank Offered Rate ("LIBOR") plus a blended margin of approximately 1.9% per year. The commitments under these finance agreements are now fully funded.

Maturities. Maturities of long-term debt due before December 31, 2007 and for the next four years are as follows (in millions):

October 1, 2007 through December 31, 2007	\$ 77
Year ending December 31,	
2008	629
2009	496
2010	639
2011	1,014

NOTE 5 - STOCK PLANS AND AWARDS

Restricted Stock Units. We currently have three outstanding awards of Restricted Stock Units ("RSUs") granted under our Long-Term Incentive and RSU Program: (1) stock price based RSU awards with a performance period ending December 31, 2007, (2) profit based RSU awards with a performance period commencing April 1, 2006 and ending December 31, 2009 and (3) profit based RSU awards with a performance period commencing January 1, 2007 and ending December 31, 2009.

During the first nine months of 2007, we issued approximately 0.7 million profit based RSU awards with a performance period commencing January 1, 2007 and ending December 31, 2009 pursuant to our Long-Term Incentive and RSU Program, which can result in cash payments to our officers upon the achievement of specified profit-sharing based performance targets. The performance targets for these awards require that we reach target levels of cumulative employee profit sharing under our enhanced employee profit sharing program during the performance period and that we have net income calculated in accordance with U.S. generally accepted accounting principles for the applicable fiscal year. To serve as a retention feature, payments related to the achievement of a performance target generally will be made in one-third annual increments to participants who remain continuously employed by us through each payment date. Payments also are conditioned on our having a minimum unrestricted cash, cash equivalents and short-term investments balance of \$2.0 billion at the end of the fiscal year preceding the date any payment is made. If we do not achieve the cash target applicable to a payment date, the payment will be deferred until the next payment date (March 1 of the next year), subject to a limit on the number of years payments may be carried forward. Payment amounts will be calculated based on the average price of our common stock during the 20 trading days preceding the payment date and the payment percentage set by the Human Resources Committee of our Board of Directors for achieving the applicable profit-sharing based performance target. Depending on the level of cumulative employee profit sharing achieved, the payment percentage for these awards can range from 0% to 200% of the underlying profit based RSU award.

We account for the profit based RSU awards as liability awards. Once it is probable that a profit-sharing based performance target will be met, we measure the awards at fair value based on the current stock price. The related expense is recognized ratably over the required service period, which ends on each payment date, after adjustment for changes in the then-current market price of our common stock. During the third

quarter of 2007, we concluded that it was probable that, prior to December 31, 2009, the end of the performance period for the profit based RSU awards with a performance period commencing January 1, 2007, we would achieve the lowest target set for those awards. The cumulative expense recognized for these awards was not material to our results of operations for the three or nine months ended September 30, 2007.

During the three months ended June 30, 2007, we concluded that it was probable that, prior to December 31, 2009, the end of the performance period for the profit based RSU awards with a performance period commencing April 1, 2006, we would achieve the highest target set for those awards. As a result of this conclusion, we recorded wages, salaries and related costs of \$30 million (\$0.31 per basic share and \$0.26 per diluted share) in the second quarter of 2007 to recognize the cumulative expense associated with the probable achievement of the higher performance target from the date the awards were issued through June 30, 2007.

Stock Options. During the nine months ended September 30, 2007, we granted approximately 0.7 million options to purchase shares of our common stock at a weighted average exercise price of \$35.86. The majority of these options vest in equal installments over four years and have a term of five years.

Stock options outstanding at September 30, 2007 had a weighted average contractual life of 4.1 years and an aggregate intrinsic value of \$130 million. The total intrinsic value of options exercised during the nine months ended September 30, 2007 was \$21 million.

Cumulative Effect of Change in Accounting Principle. We adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R") effective January 1, 2006. Upon adoption, we recognized a cumulative effect of change in accounting principle to record our liability related to our outstanding stock price based RSU awards at that date, reducing earnings \$26 million (\$0.30 per basic share and \$0.24 per diluted share).

On February 1, 2006, in light of the sacrifices made by their co-workers in connection with pay and benefit cost reduction initiatives, our officers voluntarily surrendered their stock price based RSU awards for the performance period ending March 31, 2006, which had vested during the first quarter of 2006 and otherwise would have paid out a total of \$23 million at the end of March 2006. Of the \$26 million total cumulative effect of change in accounting principle recorded on January 1, 2006, \$14 million related to the surrendered awards. Accordingly, upon surrender, we reported the reversal of the \$14 million as a credit to special charges in our statement of operations during the first quarter of 2006. The remaining \$12 million of the cumulative effect of change in accounting principle was related to stock price based RSU awards with a performance period ending December 31, 2007, which were not surrendered.

SFAS 123R Expense. Excluding the cumulative effect of change in accounting principle and the credit to special charges discussed above, total stock-based compensation expense related to SFAS 123R (including both equity and liability awards) included in wages, salaries and related costs was \$30 million, \$12 million, \$96 million and \$44 million for the three months ended September 30, 2007 and 2006 and the nine months ended September 30, 2007 and 2006, respectively. As of September 30, 2007, we had \$124 million of compensation cost that had not yet been recognized attributable to future service requirements related to profit based RSU awards with performance targets that are probable of being achieved, unvested employee stock options and stock price based RSU awards. This amount will be recognized as expense over a weighted-average period of 1.7 years.

NOTE 6 - COMPREHENSIVE INCOME

Total comprehensive income included the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net income	\$241	\$237	\$491	\$370
Other comprehensive income:				
Unrealized net gain (loss) on derivative instruments	(3)	(42)	20	(39)
Items related to employee benefit plans:				
(Increase) decrease in net actuarial losses	(8)	-	62	-
Amortization of net actuarial losses	15	-	50	-
Amortization of prior service cost	8	-	23	-
Decrease (increase) in additional minimum pension liability	<u>-</u>	<u>(93)</u>	<u>-</u>	<u>71</u>
Total comprehensive income	<u>\$ 253</u>	<u>\$ 102</u>	<u>\$ 646</u>	<u>\$ 402</u>

We adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88 and 106 and 132(R)" ("SFAS 158"), on December 31, 2006. Under SFAS 158, unrecognized prior service cost and actuarial (gains) losses related to our defined benefit pension and retiree medical benefits plans are recorded in accumulated other comprehensive loss. Prior to December 31, 2006, these amounts were not recorded on our consolidated balance sheet and an additional minimum pension liability was recorded when necessary.

NOTE 7 - EMPLOYEE BENEFIT PLANS

Net periodic defined benefit pension and retiree medical benefits expense included the following components (in millions):

	Defined Benefit Pension				Retiree Medical Benefits			
	Three Months Ended September 30,	Nine Months Ended September 30,						
	2007	2006	2007	2006	2007	2006	2007	2006
Service cost	\$ 15	\$ 15	\$ 46	\$ 44	\$ 3	\$ 3	\$ 8	\$ 9
Interest cost	40	36	119	110	4	4	10	11
Expected return on plan assets	(35)	(30)	(102)	(92)	-	-	-	-
Amortization of net actuarial loss	16	15	51	51	(1)	-	(1)	-
Amortization of prior service cost	<u>3</u>	<u>2</u>	<u>8</u>	<u>6</u>	<u>5</u>	<u>7</u>	<u>15</u>	<u>15</u>
Net periodic benefit expense	39	38	122	119	11	14	32	35
Settlement charge (included in special charges)	<u>12</u>	<u>8</u>	<u>24</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net benefit expense	<u>\$ 51</u>	<u>\$ 46</u>	<u>\$ 146</u>	<u>\$ 156</u>	<u>\$ 11</u>	<u>\$ 14</u>	<u>\$ 32</u>	<u>\$ 35</u>

During the first nine months of 2007, we contributed \$261 million to our defined benefit pension plans. We contributed an additional \$75 million to our defined benefit pension plans in October 2007, bringing our total contributions during 2007 to \$336 million. This amount exceeds our minimum funding requirements of \$187 million during the current calendar year.

We recorded non-cash settlement charges totaling \$12 million, \$8 million, \$24 million and \$37 million in the three months ended September 30, 2007 and 2006 and the nine months ended September 30, 2007 and 2006, respectively, related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired during each respective period. SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," requires the use of settlement accounting if, for a given year, the cost of all settlements exceeds, or is expected to exceed, the sum of the service cost and interest cost components of net periodic pension expense for the plan. Under settlement accounting, unrecognized plan gains or losses must be recognized immediately in proportion to the percentage reduction of the plan's projected benefit obligation. We anticipate that we will have additional non-cash settlement charges in the future in conjunction with lump - sum distributions to retiring pilots.

NOTE 8 - SPECIAL CHARGES

Special charges were as follows (in millions):

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2007	2006	2007	2006
Pension settlement charges (see Note 7)	\$12	\$ 8	\$24	\$ 37
Aircraft-related charges (credits)	-	(7)	6	(18)
Surrender of stock price based RSU awards (see Note 5)	—	—	—	(14)
Special charges	\$12	\$ 1	\$30	\$ 5

NOTE 9 - REGIONAL CAPACITY PURCHASE AGREEMENTS

Presentation in Statements of Operations. Expenses related to our capacity purchase agreements are reported as regional capacity purchase, net, in our consolidated statements of operations. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net, includes all fuel expense on flights operated for us under capacity purchase agreements and is net of our rental income on aircraft leased to ExpressJet and flown for us.

ExpressJet. In December 2005, we gave notice to ExpressJet that we would withdraw 69 of the 274 regional jet aircraft from our capacity purchase agreement with ExpressJet (the "ExpressJet CPA") because we believe the rates charged to us by ExpressJet for regional capacity are above the current market. On May 5, 2006, ExpressJet notified us that it would retain all of the 69 regional jets (consisting of 44 ERJ-145XR and 25 ERJ-145 aircraft) covered by our withdrawal notice, as permitted by the ExpressJet CPA. Accordingly, ExpressJet must retain each of those 69 regional jets for the remaining term of the applicable underlying aircraft lease and, as each aircraft is withdrawn from the ExpressJet CPA, the implicit interest rate used to calculate the scheduled lease payments that ExpressJet will make to us under the applicable aircraft sublease is automatically increased by 200 basis points to compensate us for our continued participation in ExpressJet's lease financing arrangements. Once the aircraft are withdrawn from the ExpressJet CPA, we recognize the related rental income we receive from ExpressJet as other revenue in our consolidated statements of operations.

The withdrawal of the 69 aircraft began in December 2006 and was completed in the third quarter of 2007. Under the ExpressJet CPA, ExpressJet has the option to fly any of the withdrawn aircraft it retains either for another airline or under ExpressJet's own flight designator code (in either case subject to its agreement with us prohibiting ExpressJet from flying under its or another carrier's code in or out of our hub airports during the term of the ExpressJet CPA). So long as we are ExpressJet's largest customer, if ExpressJet enters into an agreement with another major carrier (as defined in the ExpressJet CPA) to provide regional airline services on a capacity purchase or other similar economic basis for more than ten aircraft, we are entitled to the same or comparable economic terms and conditions.

Under the ExpressJet CPA, we pay ExpressJet a base fee for each scheduled block hour (the number of hours an aircraft is operated in revenue service from gate to gate) based on an agreed formula. In accordance with the ExpressJet CPA, ExpressJet agreed to meet with us each year to review and set the block hour rates to be paid in the following year, in each case based on the methodology used to set the original block hour rates (including an initial 10% targeted operating margin). Since we and ExpressJet could not come to an agreement on the 2007 block hour rates, our disagreement was submitted to binding arbitration as provided in the ExpressJet CPA. In July 2007, the arbitration panel rendered its decision, which did not have a material effect on our consolidated financial position or results of operations. We have recently begun negotiations with ExpressJet concerning the block hour rates for 2008.

Chautauqua. In July 2006, we selected Chautauqua Airlines, Inc. ("Chautauqua"), a wholly-owned subsidiary of Republic Airways Holdings Inc., to provide and operate forty-four 50-seat regional jets as a Continental Express carrier to be phased in during 2007 under a new capacity purchase agreement (the "Chautauqua CPA"). As of September 30, 2007, 44 aircraft are being flown by Chautauqua for us. Under the Chautauqua CPA, we schedule and market all of our Continental Express regional jet service provided by Chautauqua. The Chautauqua CPA requires us to pay a fixed fee to Chautauqua, subject to specified reconciliations and annual escalations, for its operation of the aircraft. Chautauqua supplies the aircraft it operates under the agreement. The Chautauqua CPA has a five-year term with respect to ten aircraft and an average term of 2.5 years for the balance of the aircraft. In addition, we have the unilateral right to extend the Chautauqua CPA on the same terms on an aircraft-by-aircraft basis for a period of up to five years in the aggregate for 20 aircraft and for up to three years in the aggregate for 24 aircraft, subject to the renewal terms of the related aircraft lease.

Colgan. In February 2007, we selected Pinnacle Airlines Corp.'s subsidiary Colgan Air, Inc. ("Colgan") to operate fifteen 74-seat Bombardier Q400 twin-turboprop aircraft on short and medium-distance routes from Newark Liberty International Airport ("New York Liberty") starting in early 2008. Colgan will operate the flights as a Continental Connection carrier under a capacity purchase agreement with a term of ten years. Colgan will supply the aircraft that it will operate under the agreement.

NOTE 10 - INVESTMENT IN OTHER COMPANIES

Copa. At September 30, 2007, we held 4.4 million shares of Copa Holdings, S.A. ("Copa") Class A common stock with a carrying value of \$59 million and a market value of \$175 million. This investment represents a 10% economic interest in Copa. During the third quarter of 2006, we sold 7.5 million shares of Copa's Class A common stock for \$156 million in cash, net of underwriting fees. We recognized a gain of \$92 million related to this transaction.

Holdings. In January 2007, we sold substantially all of our shares of the common stock of Holdings, the parent company of ExpressJet, to third parties for cash proceeds of \$35 million. We recognized a gain of \$7 million in the first quarter of 2007 as a result of these sales. We sold the remaining shares of Holdings common stock in April 2007 and no longer own any shares of Holdings common stock.

ARINC Incorporated. On July 3, 2007, six major air carriers, including us, collectively holding more than 90% of the common stock of ARINC Incorporated ("ARINC"), entered into a definitive agreement to sell all of such ARINC common stock to an affiliate of The Carlyle Group, a global private equity firm. ARINC develops and operates communications and information processing systems and provides systems engineering and other services to the aviation industry and other industries. Our investment in ARINC has no carrying value.

The transaction is expected to close in the fourth quarter of 2007, subject to customary closing conditions and certain other contingencies. Many of these conditions and contingencies are outside of our control, and we cannot give any assurances that the closing of the transaction will occur. Upon closing, we expect to receive cash proceeds of approximately \$30 million.

NOTE 11 - SEGMENT REPORTING

We have two reportable segments: mainline and regional. We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing) and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Financial information by business segment is set forth below (in millions):

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2007	2006	2007	2006
Operating Revenue:				
Mainline	\$3,239	\$2,932	\$ 9,058	\$8,268
Regional	581	586	1,651	1,703

Total Consolidated	\$3,820	\$3,518	\$10,709	\$9,971
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Operating Income (Loss):

Mainline	\$ 291	\$ 223	\$ 706	\$ 508
Regional	_(11)	_(31)	_(100)	_(60)
Total Consolidated	\$ 280	\$ 192	\$ 606	\$ 448

Net Income (Loss):

Mainline	\$ 257	\$ 270	\$ 601	\$ 436
Regional	_(16)	_(33)	_(110)	_(66)
Total Consolidated	\$ 241	\$ 237	\$ 491	\$ 370

Net income for the mainline segment for the nine months ended September 30, 2006 includes the \$26 million cumulative effect of change in accounting principle related to the adoption of SFAS 123R. The amounts presented above are presented on the basis of how our management reviews segment results. Under this basis, the regional segment's revenue includes a pro-rated share of our ticket revenue for segments flown by our regional carriers, and expenses include all activity related to the regional operations, regardless of whether such expenses were incurred by us directly or through our capacity purchase agreements.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Purchase Commitments. See Note 3 for a discussion of our aircraft purchase commitments.

Heathrow Airport. We are in the process of acquiring the right to use slots at London's Heathrow Airport. We have committed to pay approximately \$130 million for slots as of September 30, 2007 and are seeking additional slots.

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

We are contingently liable for US Airways' obligations under a lease agreement between US Airways and the Port Authority of New York and New Jersey related to the East End Terminal at LaGuardia airport. These obligations include the payment of ground rentals to the Port Authority and the payment of other rentals in respect of the full amounts owed on special facilities revenue bonds issued by the Port Authority having an outstanding par amount of \$146 million at September 30, 2007 and a final scheduled maturity in 2015. If US Airways defaults on these obligations, we would be obligated to cure the default and we would have the right to occupy the terminal after US Airways' interest in the lease had been terminated.

We also have letters of credit and performance bonds relating to various real estate and customs obligations at September 30, 2007 in the amount of \$53 million. These letters of credit and performance bonds have expiration dates through July 2010.

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

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

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

In our financing transactions that include loans, we typically agree to reimburse lenders for any reduced returns with respect to loans due to any change in capital requirements and, in the case of loans in which the interest rate is based on LIBOR, for certain other increased costs that the lenders incur in carrying these loans as a result of any change in law, subject in most cases to certain mitigation obligations of the lenders. At September 30, 2007, we had \$1.3 billion of floating rate debt and \$291 million of fixed rate debt, with remaining terms of up to 11 years, that is subject to these increased cost provisions. In several financing transactions involving loans or leases from non-U.S. entities, with remaining terms of up to 11 years and an aggregate carrying value of \$1.4 billion, we bear the risk of any change in tax laws that would subject loan or lease payments thereunder to non-U.S. entities to withholding taxes, subject to customary exclusions. In addition, in cross-border aircraft lease agreements for two 757 aircraft, we bear the risk of any change in U.S. tax laws that would subject lease payments made by us to a resident of Japan to withholding taxes, subject to customary exclusions. These capital leases for two 757 aircraft expire in 2008 and have a carrying value of \$26 million at September 30, 2007.

We may be required to make future payments under the foregoing indemnities and agreements due to unknown variables related to potential government changes in capital adequacy requirements, laws governing LIBOR based loans or tax laws, the amounts of which cannot be estimated at this time.

Bank Card Processing Agreement. Our U.S. bank card processing agreement contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from other companies, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of 0.29 to 1.0. The agreement also requires us to maintain a minimum senior unsecured debt rating of at least Caa3 as rated by Moody's and CCC- as rated by Standard & Poor's. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$654 million of cash collateral, which would materially adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance requirement under our \$350 million secured loan facility, resulting in a default under that facility. During the first quarter of 2007, the bank card processor under this agreement returned \$67 million of our collateral to us. If we cease to comply with the financial covenants discussed above or if our unrestricted cash and short-term investments balance falls below \$2.0 billion, the bank card processor can require us to redeposit the collateral.

Employees. As of September 30, 2007, we had approximately 41,400 full-time equivalent employees. Although there can be no assurance that our generally good labor relations and high labor productivity will continue, the preservation of good relations with our employees is a significant component of our business strategy. Approximately 45% of our employees are represented by unions. None of our collective bargaining agreements becomes amendable before December 2008.

Environmental Matters. In 2001, the California Regional Water Quality Control Board ("CRWQCB") mandated a field study of the area surrounding our aircraft maintenance hangar in Los Angeles. The study was completed in September 2001 and identified jet fuel and solvent contamination on and adjacent to this site. In April 2005, we began environmental remediation of jet fuel contamination surrounding our aircraft maintenance hangar pursuant to a workplan submitted to (and approved by) the CRWQCB and our landlord, the Los Angeles World Airports. Additionally, we could be responsible for environmental remediation costs primarily related to solvent contamination on and near this site.

In 1999, we purchased property located near our New York Liberty hub in Elizabeth, New Jersey from Honeywell International, Inc. ("Honeywell") with certain environmental indemnification obligations by us to Honeywell. We did not operate the facility located on or make any improvements to the property. In 2005, we sold the property to Catellus Commercial Group, LLC ("Catellus") and in connection with the sale, Catellus assumed certain environmental indemnification obligations in favor of us. On October 9, 2006, Honeywell provided us with a notice seeking indemnification from us in connection with a U.S. Environmental Protection Agency potentially responsible party notice to Honeywell involving the Newark Bay Study Area of the Diamond Alkali Superfund Site alleging hazardous substance releases from the property. In addition, on May 7, 2007, Honeywell provided us with a notice seeking indemnification from us in connection with a possible lawsuit by Tierra Solutions, Inc. relating to alleged discharges from the property into Newark Bay and seeking cleanup of Newark Bay waters and sediments under the Resource Conservation and Recovery Act. We have notified Honeywell that, at this time, we have not agreed that we are required to indemnify Honeywell with respect to this matter. Honeywell's liability with respect to releases from the property into the Newark Bay Study Area, if any, and our potential indemnification obligation, if any, remain under review and cannot be determined at this time. We have sought indemnification from Catellus to the full extent to which we may be required to indemnify Honeywell and, although we are in discussions with Catellus regarding such indemnification, Catellus has not yet agreed that it is required to indemnify us with respect to this matter.

At September 30, 2007, we have a reserve for estimated costs of environmental remediation throughout our system of \$38 million, based primarily on third-party environmental studies and estimates as to the extent of the contamination and nature of the required remedial actions. We have evaluated and recorded this accrual for environmental remediation costs separately from any related insurance recovery. We do not have any receivables related to environmental insurance recoveries at September 30, 2007. Based on currently available information, we believe that our reserves for potential environmental remediation costs are adequate, although reserves could be adjusted as further information develops or circumstances change. However, we do not expect these items to materially affect our results of operations, financial condition or liquidity.

Legal Proceedings. During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled *Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al.* (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are *Tam Travel, Inc. v. Delta Air Lines, Inc., et al.* (U.S.D.C., Northern District of California), filed on April 9, 2003 and *Swope Travel Agency, et al. v. Orbitz LLC et al.* (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has commenced. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the *Swope* case for their failure to properly opt-out of the *Hall* case. Consequently, a total of 90 travel agency plaintiffs remain in the two cases. In each of these cases, we believe the plaintiffs' claims are without merit and we are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

On June 7, 2007, Ronald A. Katz Technology Licensing, L.P. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that Continental infringes certain patents relating to automated telephone call processing systems. The plaintiff is seeking unspecified monetary damages, trebling of damages based on alleged willful infringement, attorney's fees and injunctive relief. On June 20, 2007, the case, which includes numerous other defendants, was transferred to the U.S. District Court for the Central District of California for consolidated or coordinated pretrial proceedings. We believe the plaintiff's claims are without merit and we are vigorously defending this lawsuit, which is currently in the initial pleading stage. A final adverse court decision awarding substantial money damages or imposing material restrictions on our ability to operate our existing automated telephone call processing systems could have a material adverse effect on our results of operations, financial condition or liquidity.

We and/or certain of our subsidiaries are defendants in various other pending lawsuits and proceedings and are subject to various other claims arising in the normal course of our business, many of which are covered in whole or in part by insurance. Although the outcome of these lawsuits and proceedings (including the probable loss we might experience as a result of an adverse outcome) cannot be predicted with certainty at this time, we believe, after consulting with outside counsel, that the ultimate disposition of such suits will not have a material adverse effect on us.

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

The following discussion contains forward-looking statements that are not limited to historical facts, but reflect our current beliefs, expectations or intentions regarding future events. In connection therewith, please see the risk factors set forth in Part I, Item 1A of our 2006 Form 10-K and Part II, Item 1A of this report, which identify important risk factors that could cause actual results to differ materially from those in the forward-looking statements, such as the consequences of our significant prior financial losses and high leverage, the significant cost of aircraft fuel, our high labor and pension costs, service interruptions at one of our hub airports, disruptions in our computer systems, and industry conditions, including the airline pricing environment, industry capacity decisions, industry consolidation, terrorist attacks, regulatory matters, excessive taxation, the availability and cost of insurance, public health threats and the seasonal nature of the airline business. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report, except as required by applicable law.

OVERVIEW

We are a major United States air carrier engaged in the business of transporting passengers, cargo and mail. We are the world's fifth largest airline as measured by the number of scheduled miles flown by revenue passengers in 2006. Including our wholly-owned subsidiary, Continental Micronesia, Inc. ("CMI"), and regional flights operated on our behalf under capacity purchase agreements with other carriers, we operate approximately 2,700 daily departures. As of September 30, 2007, we served 131 domestic and 127 international destinations and offered additional connecting service through alliances with domestic and foreign carriers.

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

Third Quarter Financial Highlights

- Operating revenue grew 8.6% during the third quarter of 2007 as compared to the third quarter of 2006 due to more flights, higher load factors and increased domestic and international yields.
- Operating income increased 45.8% during the third quarter of 2007 as compared to the third quarter of 2006 due to increased operating revenue.
- Unrestricted cash, cash equivalents and short-term investments exceeded \$3.0 billion at September 30, 2007.

Third Quarter Operational Highlights

- Traffic increased 5.7% and capacity increased 3.7% during the third quarter of 2007 as compared to the third quarter of 2006, resulting in a consolidated load factor of 83.8%, 1.6 points above the prior year third quarter consolidated load factor.
- We posted a mainline segment completion factor of 99.3% and a U.S. Department of Transportation on-time arrival rate of 77.3%.
- Sales on continental.com totaled \$863 million, an increase of 23% over the third quarter of 2006.

Outlook

We currently intend to grow our mainline capacity approximately 5.5% in 2007 and between 3% and 4% in 2008. We are targeting mainline capacity growth of between 5% and 7% annually thereafter, although actual growth may differ from these targets in any given year. Specific factors reflected in these capacity growth targets are as follows:

- For 2007, our expected capacity growth includes our commencement of nonstop flights between New York Liberty and Athens, Greece in June 2007 and between New York Liberty and Mumbai, India in October 2007.
- In 2008, our expected domestic mainline capacity growth will be less than 1%, primarily due to our agreements to sell 15 Boeing 737-500 aircraft. In the international market, we plan to inaugurate service from our Houston and New York hubs to London's Heathrow Airport at the end of March 2008, while continuing daily service from both hub airports to London's Gatwick Airport as well as seasonal service between our Cleveland hub and Gatwick.
- In 2009, our expected mainline capacity growth includes the commencement of daily service between New York Liberty and Shanghai, China in the spring of 2009.
- The first deliveries of our 25 Boeing 787 aircraft on firm order are scheduled in 2009. Boeing recently announced that its initial Boeing 787 deliveries would be delayed six months, from May 2008 to late November or December 2008. Boeing has not informed us of the effect, if any, this delay will have on our scheduled deliveries. Our mainline capacity growth for 2009 and thereafter may be reduced below the target range if there are significant delays in the scheduled deliveries of our Boeing 787 aircraft, particularly if we are unable to make alternative arrangements to acquire long-range aircraft on commercially acceptable terms.

Although we were profitable during 2006 and the first nine months of 2007, we had previously suffered substantial losses following September 11, 2001. Our ability to sustain our profitability depends on, among other factors, continuing our efforts to implement and maintain a more competitive cost structure, continuing our profitable international growth and responding effectively to the factors that threaten the airline industry as a whole. We have attempted to return to sustained profitability by implementing \$1.6 billion of annual cost-cutting and revenue-generating measures since 2002. During 2007, we have been working on additional initiatives related to contracts with major suppliers. These new initiatives, along with several other smaller initiatives, should reduce costs by approximately \$100 million annually when fully implemented. We expect to realize a portion of these savings beginning in the fourth quarter of 2007.

Many factors continue to threaten our ability to sustain our profitability. For example, competition in most of our domestic markets from low-cost carriers, as well as new carriers such as Virgin America (which began service in August 2007), and our response to such competition continue to result in increased capacity and reduced yields in many of those markets. In addition, several of our domestic competitors are continuing to increase their international capacity, resulting in lower yield and/or load factor growth rates in affected markets. The recent "open skies" agreement between the U.S. and the European Union, which becomes effective on March 30, 2008, could also result in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. In addition, Air France-KLM, Delta Air Lines and Northwest Airlines have filed for anti-trust immunity seeking permission to form a new trans-Atlantic joint venture among those airlines and the coordination of routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. Air France-KLM and Delta Air Lines announced in October 2007, in connection with such application for anti-trust immunity, their plans for a joint venture beginning in March 2008 that will initially cover all trans-Atlantic flights between the airlines' hubs and all flights between London's Heathrow Airport and any U.S. destination.

We are also facing stronger competition from carriers that have emerged from bankruptcy, including Delta Air Lines, Northwest Airlines, US Airways and United Airlines. Carriers typically emerge from bankruptcy with substantially lower costs than ours achieved by cost reductions through, among other things, reducing or discharging debt, lease and pension obligations and reducing wages and benefits.

High fuel prices continue to increase our costs and diminish our profitability. Although we experienced some success raising ticket prices in response to higher fuel costs, future increases in jet fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity. Conversely, lower fuel prices may result in lower fares and the reduction or elimination of fuel surcharges. Additionally, lower fuel prices may result in increased industry capacity, especially to the extent that reduced fuel costs justify increased utilization by airlines of less fuel efficient aircraft that are unprofitable during periods of higher fuel prices. We believe that our young, fuel-efficient fleet continues to provide us with a competitive advantage relative to our peers. As of September 30, 2007, we had hedged approximately 30% and 10% of our projected fuel requirements for the fourth quarter of 2007 and first quarter 2008, respectively, using heating oil option contracts forming zero cost collars with a weighted average call price of \$2.22 per gallon and a weighted average put price of \$2.06 per gallon.

Additionally, our ability to sustain our profitability could be adversely affected by additional terrorist attacks, or the fear of such attacks, or other international hostilities. The terrorist plot discovered in August 2006 targeting multiple airlines elevated concerns about future terrorist attacks and resulted in the imposition by the Transportation Security Administration and foreign security authorities of additional security measures significantly restricting the contents of carry on baggage. These elevated concerns and baggage restrictions temporarily reduced the number of customer bookings on certain routes, including bookings by high-yield business travelers for whom the ability to carry on baggage is an important service amenity, and the baggage restrictions continue to result in a greater number of checked bags, increasing our costs.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and reasons for material changes therein for the three and nine months ended September 30, 2007 as compared to the corresponding periods in 2006.

Comparison of Three Months Ended September 30, 2007 to Three Months Ended September 30, 2006

Consolidated Results of Operations

Statistical Information. Certain statistical information for our consolidated operations for the three months ended September 30 is as follows:

	<u>2007</u>	<u>2006</u>	Increase (Decrease)
Passengers (thousands) (1)	17,901	17,328	3.3%
Revenue passenger miles (millions) (2)	25,422	24,042	5.7%
Available seat miles (millions) (3)	30,346	29,262	3.7%
Passenger load factor (4)	83.8%	82.2%	1.6 pts.
Passenger revenue per available seat mile (cents)	11.57	11.04	4.8%
Average yield (cents) (5)	13.81	13.44	2.8%

1. The number of revenue passengers measured by each flight segment flown.
2. The number of scheduled miles flown by revenue passengers.
3. The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
4. Revenue passenger miles divided by available seat miles.
5. The average passenger revenue received for each revenue passenger mile flown.

Results of Operations. We recorded net income of \$241 million in the third quarter of 2007 as compared to net income of \$237 million for the third quarter of 2006. Net income for the third quarter of 2006 included a gain of \$92 million related to our sale of 7.5 million shares of Copa's Class A common stock. We consider a key measure of our performance to be operating income, which was \$280 million for the third quarter of 2007, as compared to \$192 million for the third quarter of 2006. Significant components of our consolidated operating results for the three months ended September 30 are as follows (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	\$3,820	\$3,518	\$302	8.6 %
Operating Expenses	<u>3,540</u>	<u>3,326</u>	<u>214</u>	6.4 %
Operating Income	280	192	88	45.8 %
Nonoperating Income (Expense)	(39)	45	(84)	(186.7)%
Income Taxes	—	—	—	-
Net Income	<u>\$ 241</u>	<u>\$ 237</u>	<u>\$ 4</u>	1.7 %

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the quarter ended September 30, 2007 and period to period comparisons for operating revenue, passenger revenue per available seat mile ("RASM") and available seat miles ("ASMs") by geographic region for our mainline and regional operations:

	Revenue <u>(in millions)</u>	% Increase (Decrease) in Third Quarter 2007 vs Third Quarter 2006		
		Revenue	RASM	ASMs
Passenger revenue:				
Domestic	\$1,491	7.3 %	2.5 %	4.7 %
Trans-Atlantic	776	22.2 %	9.8 %	11.3 %
Latin America	393	11.1 %	9.9 %	1.1 %
Pacific	<u>277</u>	10.2 %	9.9 %	0.2 %
Total Mainline	2,937	11.7 %	6.0 %	5.4 %
Regional	<u>574</u>	(4.5)%	4.7 %	(8.8)%
Total	3,511	8.7 %	4.8 %	3.7 %
Cargo	112	(4.3)%		
Other	<u>197</u>	15.9 %		
Operating Revenue	<u>\$3,820</u>	8.6 %		

Passenger revenue increased due to increased traffic and several fare increases. Consolidated RASM for the quarter increased year-over-year due to higher load factors and our actions taken to improve the mix of local versus flow traffic and to reduce discounting.

Cargo revenue decreased due to a reduction in the volume of mail carried for the U.S. Postal Service. Other revenue increased primarily as a result of \$26 million of rental income on aircraft leased to ExpressJet but not operated for us during the third quarter of 2007 and higher revenue associated with sales of mileage credits in our OnePass frequent flyer program.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the three months ended September 30 (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	\$ 895	\$ 858	\$ 37	4.3 %
Wages, salaries and related costs	836	743	93	12.5 %
Regional capacity purchase, net	446	475	(29)	(6.1)%
Aircraft rentals	249	249	-	-
Landing fees and other rentals	209	195	14	7.2 %
Distribution costs	171	157	14	8.9 %
Maintenance, materials and repairs	166	140	26	18.6 %
Depreciation and amortization	106	99	7	7.1 %
Passenger services	105	97	8	8.2 %
Special charges	12	1	11	NM
Other	<u>345</u>	<u>312</u>	<u>33</u>	10.6 %
	<u>\$3,540</u>	<u>\$3,326</u>	<u>\$214</u>	6.4 %

NM - Not Meaningful

Operating expenses increased 6.4% primarily due to the following:

- Aircraft fuel and related taxes increased due to a 5.4% increase in mainline capacity. The average jet fuel price per gallon including related taxes was \$2.21 in the third quarters of both 2007 and 2006. Fuel expense includes gains related to our fuel hedging program of \$4 million in the third quarter of 2007, compared to hedging losses of \$8 million in the third quarter of 2006.
- Wages, salaries and related costs increased primarily due to the hiring of additional employees necessary to support our growth and an increase of \$28 million for profit sharing and on-time performance incentive expenses. Additionally, stock-based compensation expense was \$18 million higher in the third quarter of 2007 than in the comparable period of 2006, primarily due to an increase in the accrual for profit based RSU awards.
- Regional capacity purchase, net, includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all fuel expense on flights operated for us under capacity purchase agreements and is net of our rental income on aircraft leased to ExpressJet and flown for us. The net amounts consist of the following for the three months ended September 30 (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	\$331	\$372	\$(41)	(11.0)%
Fuel and fuel taxes	176	187	(11)	(5.9)%
Aircraft sublease income	<u>(61)</u>	<u>(84)</u>	<u>(23)</u>	(27.4)%
Regional capacity purchase, net	<u>\$446</u>	<u>\$475</u>	<u>\$(29)</u>	(6.1)%

The net expense was lower in the third quarter of 2007 than in the corresponding quarter of 2006 due to an 8.8% decrease in regional capacity, which was attributable to reduced flying by ExpressJet, partially offset by new capacity provided by Chautauqua. Additionally, aircraft sublease income was lower in the third quarter of 2007 than in the third quarter of 2006, reflecting the withdrawal of aircraft from the ExpressJet CPA. Sublease income on aircraft operated by ExpressJet outside the scope of the ExpressJet CPA is recorded as other revenue.

- Maintenance, materials and repairs increased primarily due to higher engine maintenance costs driven by increased flight activity and the timing of engine overhauls. In addition, contractual engine repair rates escalated in accordance with their contracts due to the aging of our fleet.
- Other operating expenses increased primarily due to a greater number of international flights which resulted in increased air navigation fees and ground handling, security and related expenses.
- Special charges in the third quarter of 2007 consisted of a \$12 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired. Special charges in the third quarter of 2006 consisted of a similar \$8 million non-cash pension settlement charge and a \$7 million credit attributable to a reduction of our allowance for future lease payments and return conditions on permanently grounded MD-80 aircraft following negotiated settlements with aircraft lessors.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from other companies, gains from dispositions of investments and any ineffectiveness of our derivative financial instruments. Total nonoperating expense decreased \$84 million in the third quarter of 2007 compared to the third quarter of 2006 due to the following:

- Net interest expense decreased \$13 million primarily as a result of increased interest income on our higher cash balances.
- Income from other companies, which includes our equity in the earnings of Copa in 2007 and 2006 and equity in the earnings of Holdings and income related to our tax sharing agreement with Holdings in 2006, was \$12 million lower in 2007 as compared to 2006 as a result of our reduced ownership interests in Holdings and Copa and a decrease in income recognized from our tax sharing agreement with Holdings.
- We recognized a gain of \$92 million related to the sale of 7.5 million shares of Copa's Class A common stock in the third quarter of 2006.

Income Taxes. We did not record any income tax expense related to our pretax income in the third quarter of 2007 or 2006 due to the utilization of book net operating losses for which we had not previously recognized a benefit.

Segment Results of Operations

We have two reportable segments: mainline and regional. The mainline segment consists of flights to cities using jets with a capacity of greater than 100 seats while the regional segment currently consists of flights with a capacity of 50 or fewer seats. The regional segment is operated by ExpressJet, Chautauqua and CommutAir through capacity purchase agreements. Under these agreements, we purchase all of the capacity related to aircraft covered by the contracts, and are responsible for setting prices and selling all of the related seat inventory. In exchange for the regional carriers' operation of the flights, we pay the regional carriers for each scheduled block hour based on agreed formulas. Under the agreements, we recognize all passenger, cargo and other revenue associated with each flight, and are responsible for all revenue-related expenses, including commissions, reservations, catering and terminal rent at hub airports.

We evaluate segment performance based on several factors, of which the primary financial measure is operating income (loss). However, we do not manage our business or allocate resources based on segment operating profit or loss because (1) our flight schedules are designed to maximize revenue from passengers flying, (2) many operations of the two segments are substantially integrated (for example, airport operations, sales and marketing, scheduling and ticketing), and (3) management decisions are based on their anticipated impact on the overall network, not on one individual segment.

Statistical Information. Certain statistical information for our segments' operations for the three months ended September 30 is as follows:

	<u>2007</u>	<u>2006</u>	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	13,286	12,522	6.1 %
Revenue passenger miles (millions)	22,883	21,312	7.4 %
Available seat miles (millions)	27,153	25,759	5.4 %
Passenger load factor	84.3%	82.7%	1.6 pts.
Cargo ton miles (millions)	250	268	(6.7)%
Passenger revenue per available seat mile (cents)	10.82	10.21	6.0 %
Total revenue per available seat mile (cents)	11.93	11.38	4.8 %
Average yield per revenue passenger mile (cents)	12.84	12.34	4.1 %
Average fare per revenue passenger	\$223.72	\$212.81	5.1 %
Cost per available seat mile, including special charges (cents) (1)	10.85	10.52	3.1 %
Average price per gallon of fuel, including fuel taxes (cents)	220.57	221.47	(0.4)%
Fuel gallons consumed (millions)	406	387	4.9 %
Actual aircraft in fleet at end of period	368	364	1.1 %
Average length of aircraft flight (miles)	1,488	1,478	0.7 %
Average daily utilization of each aircraft (hours)	11:52	11:30	3.1 %
Regional Operations (2):			
Passengers (thousands)	4,615	4,806	(4.0)%
Revenue passenger miles (millions)	2,539	2,730	(7.0)%
Available seat miles (millions)	3,193	3,503	(8.8)%
Passenger load factor	79.5%	77.9%	1.6 pts.
Passenger revenue per available seat mile (cents)	17.96	17.15	4.7 %
Average yield per revenue passenger mile (cents)	22.59	22.01	2.6 %
Actual aircraft in fleet at end of period (3)	263	284	(7.4)%

1. Includes special charges which represented 0.05 and 0.01 cents per available seat mile for the three months ended September 30, 2007 and 2006, respectively.

2. Consists of flights operated under capacity purchase agreements with our regional carriers ExpressJet, Chautauqua and CommutAir.

3. Includes aircraft operated by all carriers under capacity purchase agreements, but excludes any aircraft operated by ExpressJet outside the scope of the ExpressJet CPA.

Mainline Results of Operations. Significant components of our mainline segment's operating results for the three months ended September 30 are as follows (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	<u>\$3,239</u>	<u>\$2,932</u>	<u>\$307</u>	10.5%
Operating Expenses:				
Aircraft fuel and related taxes	895	858	37	4.3%
Wages, salaries and related costs	822	731	91	12.4%
Aircraft rentals	170	170	-	-
Landing fees and other rentals	196	184	12	6.5%
Distribution costs	146	129	17	13.2%
Maintenance, materials and repairs	166	140	26	18.6%
Depreciation and amortization	103	96	7	7.3%
Passenger services	101	93	8	8.6%
Special charges	12	1	11	NM
Other	<u>337</u>	<u>307</u>	<u>30</u>	9.8%
	<u>2,948</u>	<u>2,709</u>	<u>239</u>	8.8%
Operating Income	<u>\$ 291</u>	<u>\$ 223</u>	<u>\$ 68</u>	30.5%

The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional Results of Operations. Significant components of our regional segment's operating results for the three months ended September 30 are as follows (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	<u>\$581</u>	<u>\$586</u>	<u>\$(5)</u>	(0.9)%
Operating Expenses:				
Wages, salaries and related costs	14	12	2	16.7%

Regional capacity purchase, net	446	475	(29)	(6.1)%
Aircraft rentals	79	79	-	-
Landing fees and other rentals	13	11	2	18.2 %
Distribution costs	25	28	(3)	(10.7)%
Depreciation and amortization	3	3	-	-
Passenger services	4	4	-	-
Other	<u>8</u>	<u>5</u>	<u>3</u>	60.0%
	<u>592</u>	<u>617</u>	<u>(25)</u>	(4.1)%
Operating Income (Loss)	\$ <u>(11)</u>	\$ <u>(31)</u>	\$ <u>(20)</u>	(64.5)%

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it feeds passengers from smaller cities into our hubs. The variances in specific line items for the regional segment reflect generally the same factors discussed under consolidated results of operations.

Comparison of Nine Months Ended September 30, 2007 to Nine Months Ended September 30, 2006

Consolidated Results of Operations

Statistical Information. Certain statistical information for our consolidated operations for the nine months ended September 30 is as follows:

	<u>2007</u>	<u>2006</u>	<u>Increase</u>
Passengers (thousands)	52,198	50,516	3.3%
Revenue passenger miles (millions)	71,495	67,746	5.5%
Available seat miles (millions)	87,186	83,637	4.2%
Passenger load factor	82.0%	81.0%	1.0 pts.
Passenger revenue per available seat mile (cents)	11.24	10.93	2.8%
Average yield (cents)	13.71	13.49	1.6%

Results of Operations. We recorded net income of \$491 million in the first nine months of 2007 as compared to net income of \$370 million for the first nine months of 2006. Net income for the nine months ended September 30, 2006 included a gain of \$92 million related to our sale of 7.5 million shares of Copa's Class A common stock. We consider a key measure of our performance to be operating income, which was \$606 million for the first nine months of 2007, as compared to \$448 million for the first nine months of 2006. Significant components of our consolidated operating results for the nine months ended September 30 are as follows (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	<u>Increase</u> <u>(Decrease)</u>	<u>% Increase</u> <u>(Decrease)</u>
Operating Revenue	\$10,709	\$9,971	\$738	7.4%
Operating Expenses	<u>10,103</u>	<u>9,523</u>	<u>580</u>	6.1%
Operating Income	606	448	158	35.3%
Nonoperating Income (Expense)	(111)	(52)	(59)	113.5%
Income Taxes	(4)	-	(4)	NM
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(26)</u>	<u>26</u>	NM
Net Income	\$ <u>491</u>	\$ <u>370</u>	\$ <u>121</u>	32.7%

Each of these items is discussed in the following sections.

Operating Revenue. The table below shows components of operating revenue for the nine months ended September 30, 2007 and period to period comparisons for operating revenue, RASM and ASMs by geographic region for our mainline and regional operations:

Revenue <u>(in millions)</u>	% Increase (Decrease) in September 30, 2007 YTD vs September 30, 2006 YTD			
	<u>Revenue</u>	<u>RASM</u>	<u>ASMs</u>	
Passenger revenue:				
Domestic	\$4,302	4.8 %	(0.2)%	5.0 %
Trans-Atlantic	1,953	22.4 %	10.4 %	10.9 %
Latin America	1,159	12.9 %	10.9 %	1.8 %
Pacific	<u>738</u>	9.7 %	9.4 %	0.3 %
Total Mainline	8,152	10.1 %	4.5 %	5.4 %
Regional	<u>1,650</u>	(5.2)%	(0.6)%	(4.7)%
Total	9,802	7.2 %	2.8 %	4.2 %

Cargo	328	(2.4)%
Other	<u>579</u>	17.2 %
Operating Revenue	<u>\$10,709</u>	7.4 %

Passenger revenue increased due to increased traffic and several fare increases. Consolidated RASM increased year-over-year due to higher yields and load factors. The improved RASM reflects our actions taken to improve the mix of local versus flow traffic and reduce discounting. Consolidated RASM was adversely affected by our reduction in regional flying, which historically has had significantly higher RASM than our mainline flying.

Cargo revenue decreased due to a reduction in the volume of mail carried for the U.S. Postal Service. Other revenue increased as a result of higher revenue associated with sales of mileage credits in our OnePass frequent flyer program and \$55 million of rental income on aircraft leased to ExpressJet but not operated for us during the first nine months of 2007.

Operating Expenses. The table below shows period-to-period comparisons by type of operating expense for our consolidated operations for the nine months ended September 30 (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Aircraft fuel and related taxes	\$ 2,399	\$2,310	\$ 89	3.9 %
Wages, salaries and related costs	2,404	2,159	245	11.3 %
Regional capacity purchase, net	1,319	1,344	(25)	(1.9)%
Aircraft rentals	745	742	3	0.4 %
Landing fees and other rentals	592	578	14	2.4 %
Distribution costs	508	495	13	2.6 %
Maintenance, materials and repairs	479	407	72	17.7 %
Depreciation and amortization	306	292	14	4.8 %
Passenger services	294	268	26	9.7 %
Special charges	30	5	25	NM
Other	<u>1,027</u>	<u>923</u>	<u>104</u>	11.3 %
	<u>\$10,103</u>	<u>\$9,523</u>	<u>\$580</u>	6.1 %

Operating expenses increased 6.1% primarily due to the following:

- **Aircraft fuel and related taxes** increased due to a 5.4% increase in mainline capacity. The average jet fuel price per gallon including related taxes decreased slightly from \$2.08 in the first nine months of 2006 to \$2.07 in the first nine months of 2007. Fuel expense includes gains related to our fuel hedging program of \$4 million in the nine months ended September 30, 2007. The impact of hedging activity on fuel expense for the nine months ended September 30, 2006 was immaterial due to losses in the third quarter of 2006 offsetting gains recognized earlier in the year.
- **Wages, salaries and related costs** increased primarily due to the hiring of additional employees necessary to support our growth and an increase of \$78 million for profit sharing and on-time performance incentive expenses. Additionally, stock-based compensation expense was \$52 million higher in the first nine months of 2007 than in the comparable period of 2006, primarily due to an increase in the accrual for profit based RSU awards.
- **Regional capacity purchase, net**, includes expenses related to our capacity purchase agreements. Our most significant capacity purchase agreement is with ExpressJet. Regional capacity purchase, net includes all fuel expense on flights operated for us under capacity purchase agreements and is net of our rental income on aircraft leased to ExpressJet and flown for us. The net amounts consist of the following for the nine months ended September 30 (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Capacity purchase expenses	\$1,038	\$1,091	\$(53)	(4.9)%
Fuel and fuel taxes	486	502	(16)	(3.2)%
Aircraft sublease income	<u>(205)</u>	<u>(249)</u>	<u>(44)</u>	(17.7)%
Regional capacity purchase, net	<u>\$1,319</u>	<u>\$1,344</u>	<u>\$(25)</u>	(1.9)%

The net expense was lower in the first nine months of 2007 than in the corresponding period of 2006 due to a 4.7% decrease in regional capacity, which was attributable to reduced flying by ExpressJet, partially offset by new capacity provided by Chautauqua. Additionally, aircraft sublease income was lower in the first nine months of 2007 than in the corresponding period of 2006, reflecting the withdrawal of aircraft from the ExpressJet CPA. Sublease income on aircraft operated by ExpressJet outside the scope of the ExpressJet CPA is recorded as other revenue.

- **Maintenance, materials and repairs** increased primarily due to higher engine maintenance costs, driven by increased flight activity and the timing of engine overhauls. In addition, contractual engine repair rates escalated in accordance with their contracts due to the aging of our fleet. The number of heavy maintenance events, primarily involving our wide-body aircraft, increased in 2007 due to the timing of the maintenance life cycle.
- **Other operating expenses** increased primarily due to a greater number of international flights which resulted in increased air navigation fees and ground handling, security and related expenses.
- **Special charges** in the first nine months of 2007 consisted of a \$24 million non-cash settlement charge related to lump sum distributions from our pilot-only defined benefit pension plan to pilots who retired and a \$6 million aircraft-related charge. Special charges in the first nine months of 2006 consisted of \$37 million of similar non-cash pension settlement charges, a \$14 million credit related to our officers' voluntary surrender of stock price based RSU awards and an \$18 million credit attributable to a reduction of our allowance for future lease payments and return conditions on permanently grounded MD-80 aircraft following negotiated settlements with aircraft lessors.

Nonoperating Income (Expense). Nonoperating income (expense) includes net interest expense (interest expense less interest income and capitalized interest), income from other companies, gains from dispositions of investments and any ineffectiveness of our derivative financial instruments. Total nonoperating expense increased \$59 million in the first nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 due to the following:

- Net interest expense decreased \$45 million primarily as a result of increased interest income on our higher cash balances.
- Income from other companies, which includes our equity in the earnings of Copa and Holdings and income related to our tax sharing agreement with Holdings in 2006, was \$36 million lower in 2007 as compared to 2006 as a result of our reduced ownership interests in Holdings and Copa and a decrease in income recognized from our tax sharing agreement with Holdings.
- Hedge ineffectiveness gains related to our fuel hedges totaled \$13 million during the first nine months of 2007. This ineffectiveness arises because our heating oil collars have experienced a higher increase in value than the jet fuel being hedged. Hedge ineffectiveness in the first nine months of 2006 was immaterial due to losses recognized in the third quarter offsetting gains recognized earlier in the year.
- We recognized a gain of \$92 million related to the sale of 7.5 million shares of Copa's Class A common stock in the third quarter of 2006 and a gain of \$7 million related to the sale of substantially all of our remaining interest in Holdings during the first quarter of 2007.

Income Taxes. Income tax expense in the first nine months of 2007 is attributable to the federal Alternative Minimum Tax and state and foreign income taxes. We did not otherwise record any income tax expense related to our pretax income in the first nine months of 2007 or 2006 due to the utilization of book net operating losses for which we had not previously recognized a benefit.

Cumulative Effect of Change in Accounting Principle. We adopted SFAS 123R effective January 1, 2006. Upon adoption, we recognized a cumulative effect of change in accounting principle to record our liability related to our outstanding stock price based RSU awards at that date, reducing earnings by \$26 million.

Segment Results of Operations

Statistical Information. Certain statistical information for our segments' operations for the nine months ended September 30 is as follows:

	<u>2007</u>	<u>2006</u>	Increase (Decrease)
Mainline Operations:			
Passengers (thousands)	38,649	36,753	5.2 %
Revenue passenger miles (millions)	64,038	59,963	6.8 %
Available seat miles (millions)	77,691	73,678	5.4 %
Passenger load factor	82.4%	81.4%	1.0 pts.
Cargo ton miles (millions)	757	793	(4.5)%
Passenger revenue per available seat mile (cents)	10.49	10.04	4.5 %
Total revenue per available seat mile (cents)	11.66	11.22	3.9 %
Average yield per revenue passenger mile (cents)	12.73	12.34	3.2 %
Average fare per revenue passenger	\$213.21	\$203.83	4.6 %
Cost per available seat mile, including special charges (cents) (1)	10.75	10.53	2.1 %
Average price per gallon of fuel, including fuel taxes (cents)	206.60	208.20	(0.8)%
Fuel gallons consumed (millions)	1,161	1,109	4.7 %
Actual aircraft in fleet at end of period	368	364	1.1 %
Average length of aircraft flight (miles)	1,452	1,438	1.0 %
Average daily utilization of each aircraft (hours)	11:38	11:12	3.9 %
Regional Operations (2):			
Passengers (thousands)	13,549	13,763	(1.6)%
Revenue passenger miles (millions)	7,457	7,783	(4.2)%
Available seat miles (millions)	9,495	9,959	(4.7)%
Passenger load factor	78.5%	78.1%	0.4 pts.
Passenger revenue per available seat mile (cents)	17.38	17.48	(0.6)%
Average yield per revenue passenger mile (cents)	22.13	22.36	(1.0)%
Actual aircraft in fleet at end of period (3)	263	284	(7.4)%

1. Includes special charges which represented 0.04 and 0.01 cents per available seat mile for the nine months ended September 30, 2007 and 2006, respectively.

2. Consists of flights operated under capacity purchase agreements with our regional carriers ExpressJet, Chautauqua and CommutAir.

3. Includes aircraft operated by all carriers under capacity purchase agreements, but excludes any aircraft operated by ExpressJet outside the scope of the ExpressJet CPA.

Mainline Results of Operations. Significant components of our mainline segment's operating results for the nine months ended September 30 are as follows (in millions, except percentage changes):

	<u>2007</u>	<u>2006</u>	Increase (Decrease)	% Increase (Decrease)
Operating Revenue	\$9,058	\$8,268	\$790	9.6%
Operating Expenses:				
Aircraft fuel and related taxes	2,399	2,310	89	3.9%
Wages, salaries and related costs	2,365	2,125	240	11.3%
Aircraft rentals	509	509	-	-
Landing fees and other rentals	554	544	10	1.8%
Distribution costs	434	410	24	5.9%
Maintenance, materials and repairs	479	407	72	17.7%
Depreciation and amortization	296	283	13	4.6%
Passenger services	283	256	27	10.5%
Special charges	30	5	25	NM
Other	1,003	911	92	10.1%
	8,352	7,760	592	7.6 %
Operating Income	\$ 706	\$ 508	\$198	39.0%

The variances in specific line items for the mainline segment are due to the same factors discussed under consolidated results of operations.

Regional Results of Operations. Significant components of our regional segment's operating results for the nine months ended September 30 are as follows (in millions, except percentage changes):

			Increase	% Increase
	<u>2007</u>	<u>2006</u>	(Decrease)	(Decrease)
Operating Revenue	\$1,651	\$1,703	\$(52)	(3.1)%
Operating Expenses:				
Wages, salaries and related costs	39	34	5	14.7 %
Regional capacity purchase, net	1,319	1,344	(25)	(1.9)%
Aircraft rentals	236	233	3	1.3 %
Landing fees and other rentals	38	34	4	11.8 %
Distribution costs	74	85	(11)	(12.9)%
Depreciation and amortization	10	9	1	11.1 %
Passenger services	11	12	(1)	(8.3)%
Other	<u>24</u>	<u>12</u>	<u>12</u>	100.0 %
	<u>1,751</u>	<u>1,763</u>	<u>(12)</u>	<u>(0.7)%</u>
Operating Loss	\$ (100)	\$ (60)	\$ 40	66.7 %

The reported results of our regional segment do not reflect the total contribution of the regional segment to our system-wide operations. The regional segment generates revenue for the mainline segment as it feeds passengers from smaller cities into our hubs. The variances in specific line items for the regional segment reflect generally the same factors discussed under consolidated results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Current Liquidity

As of September 30, 2007, we had \$3.0 billion in unrestricted cash, cash equivalents and short-term investments, which is \$553 million higher than at December 31, 2006. At September 30, 2007, we also had \$178 million of restricted cash, which is primarily collateral for estimated future workers' compensation claims, performance bonds, letters of credit and credit card processing contracts. Restricted cash at December 31, 2006 totaled \$265 million.

Sources and Uses of Cash

Operating Activities. Cash flows provided by operations for the nine months ended September 30, 2007 were \$1.1 billion compared to \$896 million in the same period in 2006. The increase in cash flows provided by operations in 2007 compared to 2006 is primarily the result of an increase in operating income and advance ticket sales associated with increased capacity, partially offset by \$111 million of profit sharing paid to our employees and \$85 million of higher contributions to our defined benefit pension plans, both of which occurred in 2007.

Investing Activities. Cash flows provided by (used in) investing activities for the nine months ended September 30 were as follows (in millions):

	<u>2007</u>	<u>2006</u>	Cash Increase (Decrease)
Capital expenditures	\$(228)	\$(235)	\$ 7
Purchase of short-term investments, net	(157)	(48)	(109)
Purchase deposits paid in connection with future aircraft deliveries, net	(145)	(65)	(80)
Decrease (increase) in restricted cash, net	87	(6)	93
Proceeds from sale of Holdings shares, net	35	-	35
Proceeds from sale of Copa shares, net	-	156	(156)
Proceeds from sales of property and equipment	10	17	(7)
Other	<u>-</u>	<u>1</u>	<u>(1)</u>
	<u>\$(398)</u>	<u>\$(180)</u>	<u>\$(218)</u>

We have substantial commitments for capital expenditures, including for the acquisition of new aircraft. Capital expenditures for the full year 2007 are expected to be \$435 million, or \$645 million after considering aircraft purchase deposits to be paid, net of purchase deposits to be refunded. Projected capital expenditures for 2007 consist of \$160 million of fleet expenditures, \$215 million of non-fleet expenditures and \$60 million for rotatable parts and capitalized interest. The 2007 non-fleet expenditures include ground service equipment, terminal enhancements and a portion of the approximately \$130 million we have committed to pay to acquire the right to use slots at London's Heathrow Airport that is payable in 2007.

During the nine months ended September 30, 2007, net purchase deposits paid were higher than in the first nine months of 2006 as the result of higher refunds in 2006 due to aircraft deliveries, offset by the pre-funding of \$103 million of purchase deposits on Boeing aircraft in the first quarter of 2006.

The decrease in restricted cash is the result of the return of \$67 million cash collateral in the first quarter of 2007 from our U.S. bank card processor, discussed in "Other Liquidity Matters" below, and the return of \$26 million of workers' compensation collateral in the third quarter of 2007.

In January 2007, we sold substantially all of our shares of Holdings common stock to third parties for cash proceeds of \$35 million. We recognized a gain of \$7 million in the first quarter of 2007 as a result of these sales. We contributed substantially all of the \$35 million proceeds to our defined benefit pension plans in February 2007. We sold the remaining shares of Holdings common stock to third parties in April 2007 and no longer own any shares of Holdings common stock.

We expect to sell our interest in ARINC in the fourth quarter of 2007, subject to customary closing conditions and certain other contingencies. Many of these conditions and contingencies are outside of our control, and we cannot give any assurances that the closing of the transaction will occur. Upon closing, we expect to receive cash proceeds of approximately \$30 million.

On July 5, 2006, we sold 7.5 million shares of Copa's Class A common stock for \$156 million in cash, net of underwriting fees. This sale reduced our ownership of Copa's Class A common stock to 4.4 million shares, which represented a 10% interest. We recognized a gain of \$92 million related to this transaction.

Financing Activities. Cash flows provided by (used in) financing activities for the nine months ended September 30 were as follows (in millions):

	2007	2006	Increase (Decrease)
Payments on long-term debt and capital lease obligations	\$(337)	\$(647)	\$ 310
Proceeds from issuance of long-term debt	25	372	(347)
Proceeds from issuance of common stock pursuant to stock plans	<u>30</u>	<u>53</u>	<u>(23)</u>
	<u>\$(282)</u>	<u>\$(222)</u>	<u>\$ (60)</u>

Cash flows used in financing activities increased due to lower issuances of debt in the first nine months of 2007, partially offset by lower repayments in 2007. In January 2007, \$170 million in principal amount of our 4.5% Convertible Notes due on February 1, 2007 was converted by the holders into 4.3 million shares of our Class B common stock at a conversion price of \$40 per share. The remaining \$30 million in principal amount was paid on February 1, 2007.

Proceeds from the issuance of long-term debt in the first nine months of 2007 relate to the refinancing of debt secured by three 737-500 aircraft. Proceeds from the issuance of long-term debt in the first nine months of 2006 include \$320 million related to the refinancing of floating rate debt secured by our spare parts inventory that was originally due to mature in 2007.

During the first nine months of 2007, we incurred \$190 million of floating rate indebtedness pursuant to existing finance agreements secured by two 777-200ER aircraft that were delivered in March and April 2007. This indebtedness consists of \$156 million of senior notes due in 2019 and \$34 million of junior notes due in 2014. The loans bear interest at LIBOR plus a blended margin of approximately 1.9% per year. The commitments under these finance agreements are now fully funded.

On April 10, 2007, we obtained financing for 12 Boeing 737-800s and 18 Boeing 737-900ERs. We expect to apply the financing to 30 of the 33 Boeing 737 aircraft scheduled to be delivered in 2008, although we may instead choose to substitute certain Boeing 737 aircraft scheduled to be delivered in the first quarter of 2009. Pass-through trusts raised \$1.1 billion through the issuance of three classes of pass-through certificates. Class A certificates, with an aggregate principal amount of \$757 million, bear interest at 5.983%, Class B certificates, with an aggregate principal amount of \$222 million, bear interest at 6.903% and Class C certificates, with an aggregate principal amount of \$168 million, bear interest at 7.339%. The proceeds from the sale of the certificates are initially being held by a depository in escrow for the benefit of the certificate holders until we use such funds to purchase the aircraft. These escrowed funds are not guaranteed by us and are not reported as debt on our consolidated balance sheet because the proceeds held by the depository are not our assets and interest earned on the proceeds as well as any unused proceeds will be distributed directly to the certificate holders. As we take delivery of each aircraft, we will issue equipment notes to the trusts, which will purchase such notes with a portion of the escrowed funds. We will use the proceeds to finance the purchase of the aircraft and will record the principal amount of the equipment notes that we issue as debt on our consolidated balance sheet. Principal payments on the equipment notes and the corresponding distribution of these payments to certificate holders will begin in April 2010 and will end in April 2022 for Class A and B certificates and April 2014 for Class C certificates. Additionally, the Class A and B certificates have the benefit of a liquidity facility under which a third party agrees to make up to three semiannual interest payments on the certificates if a default in the payment of interest occurs.

In addition, we have manufacturer backstop financing for up to 22 (depending on the model selected) of the Boeing 737 aircraft scheduled to be delivered through the end of 2009 and not otherwise covered by the financing described above. However, we do not have backstop financing or any other financing currently in place for at least two (depending on the model selected) of the Boeing 737 aircraft scheduled to be delivered through the end of 2009, any of the ten Boeing 737 aircraft scheduled to be delivered after 2009 or the 25 Boeing 787 aircraft on order. Further financing will be needed to satisfy our capital commitments for our firm aircraft and other related capital expenditures. We can provide no assurance that such further financing will be available.

Other Liquidity Matters

Financeable Assets. At September 30, 2007, we had approximately \$5.1 billion (including current maturities) of long-term debt and capital lease obligations. We do not currently have any undrawn lines of credit or revolving credit facilities and substantially all of our otherwise readily financeable assets are encumbered. However, our remaining interest in Copa, which had a market value of \$175 million at September 30, 2007, is not pledged as collateral under any of our debt, although there are contractual limitations on our ability to dispose of this asset. We were in compliance with all debt covenants at September 30, 2007.

Credit Ratings. At September 30, 2007, our senior unsecured debt was rated B3 by Moody's and CCC+ by Standard & Poor's. While Moody's upgraded our senior unsecured debt rating from Caa1 in March 2007, our credit ratings remain significantly below-investment grade. Although we obtained favorable terms in the April 2007 issuance of \$1.1 billion in pass through certificates (discussed above under "Sources and Uses of Cash"), our current credit ratings increase the costs we incur when issuing debt, adversely affect the terms of such debt and limit our financing options. Additional reductions in our credit ratings could further increase our borrowing costs and reduce the availability of financing to us in the future. We do not have any debt obligations that would be accelerated as a result of a credit rating downgrade. However, we would have to post additional collateral of approximately \$179 million under our U.S. bank card processing agreement if our senior unsecured debt rating falls below Caa3 as rated by Moody's or CCC- as rated by Standard & Poor's. We would also be required to post additional collateral of up to \$42 million under our worker's compensation program if our senior unsecured debt rating falls below Caa2 as rated by Moody's or CCC+ as rated by Standard & Poor's.

Bank Card Processing Agreement. Our U.S. bank card processing agreement also contains financial covenants which require, among other things, that we maintain a minimum EBITDAR (generally, earnings before interest, taxes, depreciation, amortization, aircraft rentals and income from other companies, adjusted for special items) to fixed charges (interest and aircraft rentals) ratio for the preceding 12 months of 1.1 to 1.0. The liquidity covenant requires us to maintain a minimum level of \$1.0 billion of unrestricted cash and short-term investments and a minimum ratio of unrestricted cash and short-term investments to current liabilities at each month end of 0.29 to 1.0. Although we are currently in compliance with all of the covenants, failure to maintain compliance would result in our being required to post up to an additional \$654 million of cash collateral, which would materially adversely affect our liquidity. Depending on our unrestricted cash and short-term investments balance at the time, the posting of a significant amount of cash collateral could cause our unrestricted cash and short-term investments balance to fall below the \$1.0 billion minimum balance required under our \$350 million secured term loan facility, resulting in a default under that facility. During the first quarter of 2007, the bank card processor under this agreement returned \$67 million of our collateral to us. If we cease to comply with the financial covenants discussed above or if our unrestricted cash and short-term investments balance falls below \$2.0 billion, the bank card processor can require us to redeposit the collateral.

Pension Plans. We have noncontributory defined benefit pension plans in which substantially all of our U.S. employees participate, other than Chelsea Food Services and CMI employees. Future benefit accruals for our pilots under the pilot-only defined benefit pension plan ceased as of May 31, 2005. Funding requirements for defined benefit pension plans are determined by government regulations. During the first nine months of 2007, we contributed \$261 million to our defined benefit pension plans. We contributed an additional \$75 million to our defined benefit pension plans in October 2007, bringing our total contributions during 2007 to \$336 million. This amount exceeds our minimum funding requirements of \$187 million during the current calendar year.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk from the information provided in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2006 Form 10-K except as follows:

Aircraft Fuel. As of September 30, 2007, we had hedged approximately 30% and 10% of our projected fuel requirements for the fourth quarter of 2007 and the first quarter of 2008, respectively, using heating oil option contracts forming zero cost collars with a weighted average call price of \$2.22 per gallon and a weighted average put price of \$2.06 per gallon. At September 30, 2007, the fair value of our fuel hedges was \$11 million and is included in prepayments and other current assets in our consolidated balance sheet. Of this total, \$2 million was ineffective and recognized as other nonoperating income in the third quarter of 2007. This ineffectiveness arises because our heating oil collars have experienced a higher increase in value than the jet fuel being hedged. We estimate that a 10% increase in the price of heating oil at September 30, 2007 would increase the fair value related to the fuel hedges outstanding at that date by \$30 million.

Foreign Currency. At September 30, 2007, we have forward contracts outstanding to hedge the following cash inflows from passenger ticket sales in foreign currencies:

- Approximately 35% of our projected British pound-denominated ticket sales through the first quarter of 2008
- Approximately 14% of our projected euro-denominated ticket sales through the fourth quarter of 2007
- Approximately 33% of our projected Canadian dollar-denominated ticket sales through the fourth quarter of 2008
- Approximately 35% of our projected Japanese yen-denominated ticket sales through the fourth quarter of 2007

A uniform 10% strengthening in the value of the U.S. dollar relative to each foreign currency would have the following impact on our existing forward contracts at September 30, 2007 (in millions):

	Increase in Fair Value	Increase in Underlying Exposure	Resulting Net Loss
British pound	\$ 4	\$15	\$(11)
Euro	1	9	(8)
Canadian dollar	3	25	(22)
Japanese yen	3	9	(6)

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures, which have been designed to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in

the rules and forms of the SEC. They concluded that the controls and procedures were effective as of September 30, 2007 to provide reasonable assurance of the achievement of these objectives. While our disclosure controls and procedures provide reasonable assurance that the appropriate information will be available on a timely basis, this assurance is subject to limitations inherent in any control system, no matter how well it may be designed or administered.

Changes in Internal Controls. There was no change in our internal control over financial reporting during the quarter ended September 30, 2007, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

During the period between 1997 and 2001, we reduced or capped the base commissions that we paid to domestic travel agents, and in 2002 we eliminated those base commissions. These actions were similar to those also taken by other air carriers. We are a defendant, along with several other air carriers, in two lawsuits brought by travel agencies that purportedly opted out of a prior class action entitled Sarah Futch Hall d/b/a/ Travel Specialists v. United Air Lines, et al. (U.S.D.C., Eastern District of North Carolina), filed on June 21, 2000, in which the defendant airlines prevailed on summary judgment that was upheld on appeal. These similar suits against Continental and other major carriers allege violations of antitrust laws in reducing and ultimately eliminating the base commissions formerly paid to travel agents. The pending cases are Tam Travel, Inc. v. Delta Air Lines, Inc., et al. (U.S.D.C., Northern District of California), filed on April 9, 2003 and Swope Travel Agency, et al. v. Orbitz LLC et al. (U.S.D.C., Eastern District of Texas), filed on June 5, 2003. By order dated November 10, 2003, these actions were transferred and consolidated for pretrial purposes by the Judicial Panel on Multidistrict Litigation to the Northern District of Ohio. Discovery has commenced. On September 14, 2006, the judge for the consolidated lawsuit issued an order dismissing 28 plaintiffs in the Swope case for their failure to properly opt-out of the Hall case. Consequently, a total of 90 travel agency plaintiffs remain in the two cases. In each of these cases, we believe the plaintiffs' claims are without merit and we are vigorously defending the lawsuits. Nevertheless, a final adverse court decision awarding substantial money damages could have a material adverse effect on our results of operations, financial condition or liquidity.

On June 7, 2007, Ronald A. Katz Technology Licensing, L.P. filed a lawsuit in the U.S. District Court for the Eastern District of Texas alleging that Continental infringes certain patents relating to automated telephone call processing systems. The plaintiff is seeking unspecified monetary damages, trebling of damages based on alleged willful infringement, attorney's fees and injunctive relief. On June 20, 2007, the case, which includes numerous other defendants, was transferred to the U.S. District Court for the Central District of California for consolidated or coordinated pretrial proceedings. We believe the plaintiff's claims are without merit and we are vigorously defending this lawsuit, which is currently in the initial pleading stage. A final adverse court decision awarding substantial money damages or imposing material restrictions on our ability to operate our existing automated telephone call processing systems could have a material adverse effect on our results of operations, financial condition or liquidity.

Item 1A. Risk Factors

Part I, Item 1A, "Risk Factors," of our 2006 Form 10-K includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our 2006 Form 10-K.

The airline industry is highly competitive and susceptible to price discounting. The U.S. airline industry is characterized by substantial price competition, especially in domestic markets. Carriers use discount fares to stimulate traffic during periods of slack demand or when they begin service to new cities or have excess capacity to generate cash flow and to establish or increase market share. Some of our competitors have substantially greater financial resources (including more favorable hedges against fuel price increases) and/or lower cost structures than we do. In recent years, the domestic market share held by low-cost carriers has increased significantly and is expected to continue to increase, which is dramatically changing the airline industry. The increased market presence of low-cost carriers, which engage in substantial price discounting, has diminished the ability of the network carriers to maintain sufficient pricing structures in domestic markets to achieve profitability. This has contributed to the dramatic losses for us and the airline industry generally. For example, a low-cost carrier began to directly compete with us on flights between New York Liberty and destinations in Florida in 2005, and entered the New York to Houston market in 2006. We are responding vigorously to this challenge, but have experienced decreased yields on affected flights. We cannot predict whether or for how long these trends will continue.

In addition to price competition, airlines also compete for market share by increasing the size of their route system and the number of markets they serve. Several of our domestic competitors have announced aggressive plans to expand into international markets, including some destinations that we currently serve. Additionally, the recent "open skies" agreement between the U.S. and the European Union will become effective on March 30, 2008 and could result in increased competition from European and U.S. airlines in these international markets, and may give rise to additional consolidation or better integration opportunities among European carriers. In addition, Air France-KLM, Delta Air Lines and Northwest Airlines have filed for anti-trust immunity seeking permission to form a new trans-Atlantic joint venture among those airlines and the coordination of routes, fares, schedules and other matters among those airlines, Alitalia and CSA Czech Airlines. Air France-KLM and Delta Air Lines announced in October 2007, in connection with such application for anti-trust immunity, their plans for a joint venture beginning in March 2008 that will initially cover all trans-Atlantic flights between the airlines' hubs and all flights between London's Heathrow Airport and any U.S. destination. The increased competition in these international markets, particularly to the extent our competitors engage in price discounting, may have a material adverse effect on our results of operations, financial condition or liquidity.

We are also facing stronger competition from carriers that have emerged from bankruptcy, including Delta Air Lines, Northwest Airlines, US Airways and United Airlines. Carriers typically emerge from bankruptcy with substantially lower costs than ours achieved by cost reductions through, among other things, reducing or discharging debt, lease and pension obligations and reducing wages and benefits.

Expanded government regulation could further increase our operating costs and restrict our ability to conduct our business. Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs and can adversely affect us. Additional laws, regulations, airport rates and charges and growth constraints have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenue. Recent "growth constraint" proposals would impose restrictions on the total number of flights that can be operated at congested airports or in congested airspace or, during periods of peak demand at congested airports, "congestion" fees or other forms of additional taxation.

The FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures. Some FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne windshear avoidance systems, noise abatement and other environment concerns, commuter aircraft safety and increased inspections and maintenance procedures to be conducted on older aircraft.

Many aspects of airlines' operations also are subject to increasingly stringent federal, state, local and foreign laws protecting the environment, including the imposition of additional taxes on airlines or their passengers. Future regulatory developments in the U.S. and abroad could adversely affect operations and increase operating costs in the airline industry. For example, future actions that may be taken by the U.S. government, foreign governments (including the European Union), or the International Civil Aviation Organization to address concerns about climate change and air emissions from the aviation sector are unknown at this time, but the effect on us and our industry is likely to be adverse and could be significant. Among those potential actions is the European Union's consideration of an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the United States.

Restrictions on the ownership and transfer of airline routes and takeoff and landing slots have been proposed and, in some cases, adopted. The ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available. We cannot provide assurance that current laws and regulations, or laws or regulations enacted in the future, will not adversely affect us.

The airline industry is heavily and punitively taxed. The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Certain of these fees and taxes must be included in the fares we advertise or quote to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the passenger. Further increases in fees and taxes may reduce demand for air travel and thus our revenues.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Amendments to Bylaws. On October 17, 2007, the Board of Directors (the "Board") of Continental Airlines, Inc. (the "Company") adopted and approved amendments to the Company's Bylaws (the "Bylaws") to: (i) reflect the pre-existing right under Delaware law of stockholders of the Company to act by written consent; (ii) provide that the Board may authorize the issuance of shares of common stock that are not represented by certificates ("Uncertificated Shares"); (iii) establish procedures concerning the issuance and transfer of Uncertificated Shares; and (iv) clarify the procedures for setting the date for determining the stockholders of record for stockholder meetings, stockholder actions by written consent, dividends, distributions and other rights. The Bylaw amendments relating to Uncertificated Shares were adopted to ensure the Company's eligibility to participate in the Direct Registration System administered by the Depository Trust Company, as required by the New York Stock Exchange listed company regulations effective January 1, 2008. Prior to these amendments, the Bylaws made no reference to Uncertificated Shares and did not expressly authorize the stockholders to act by written consent.

The amendments to the Bylaws took effect on October 17, 2007 in accordance with resolutions adopted by the Board. The foregoing description of the amendments to the Bylaws is qualified in its entirety by reference to the full text of the Bylaws, as amended, which is filed as Exhibit 3.2 to this report.

Section 409A Amendments to Employment Agreements and Executive Benefit Plans. On October 15, 2007, the Human Resources Committee (the "Committee") of the Board approved and adopted, and the Company subsequently entered into, amended and restated employment agreements with each of the following "named executive officers" of the Company: Larry Kellner, Chairman and Chief Executive Officer, Jeff

Smisek, President, Jim Compton, Executive Vice President Marketing, Jeff Misner, Executive Vice President and Chief Financial Officer, and Mark Moran, Executive Vice President Operations. The purpose of the amendments reflected in these amended and restated agreements was to bring such agreements into compliance with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder ("Section 409A"). The amended and restated employment agreements are filed as Exhibits 10.2, 10.3, 10.4, 10.5 and 10.6 to this report.

The Committee also adopted and approved on October 15, 2007, the First Amendment to the Continental Airlines, Inc. Annual Executive Bonus Program (as amended and restated through February 22, 2006) and the amended and restated Continental Airlines, Inc. Long-Term Incentive and RSU Program. The purpose of the amendments to these programs was to bring such programs into compliance with the requirements of Section 409A. The amendments to these programs are filed as Exhibits 10.7 and 10.8 to this report.

Item 6. Exhibits.

- 3.1 Amended and Restated Certificate of Incorporation of Continental, as amended through June 6, 2006 - incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2006 (File no. 1-10323).
- 3.1(a) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).
- 3.1(a)(i) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).
- 3.1(b) Certificate of Designation of Series B Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2000 (File no. 1-10323).
- 3.1(c) Corrected Certificate of Designations of Series B Preferred Stock - incorporated by reference to the Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File no. 1-10323).
- 3.2 Bylaws of Continental, as amended through October 17, 2007.
- 10.1 Supplemental Agreement No. 43, dated July 18, 2007 to Purchase Agreement No. 1951, dated July 23, 1996, between Continental and The Boeing Company relating to the purchase of Boeing 737 aircraft. (1)
- 10.2* Employment Agreement dated as of October 15, 2007 between Continental and Lawrence W. Kellner.
- 10.3* Employment Agreement dated as of October 15, 2007 between Continental and Jeffery A. Smisek.
- 10.4* Employment Agreement dated as of October 15, 2007 between Continental and James E. Compton.
- 10.5* Employment Agreement dated as of October 15, 2007 between Continental and Jeffrey J. Misner.
- 10.6* Employment Agreement dated as of October 15, 2007 between Continental and Mark J. Moran.
- 10.7* First Amendment, dated as of October 15, 2007, to the Continental Airlines, Inc. Annual Executive Bonus Program (as amended and restated through February 22, 2006).
- 10.8* Continental Airlines, Inc. Long-Term Incentive and RSU Program (as amended and restated through October 15, 2007).
- 31.1 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14 (a)/15d-14 (a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certifications.

*This exhibit relates to management contracts or compensatory plans or arrangements.

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

SIGNATURES

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

CONTINENTAL AIRLINES, INC.
Registrant

Date: October 18, 2007 by: /s/ Jeffrey J. Misner
Jeffrey J. Misner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: October 18, 2007 by: /s/ Chris Kenny
Chris Kenny
Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS OF CONTINENTAL AIRLINES, INC.

- 3.1 Amended and Restated Certificate of Incorporation of Continental, as amended through June 6, 2006 - incorporated by reference to Exhibit 3.1 to Continental's Annual Report on Form 10-K for the year ended December 31, 2006 (File no. 1-10323).
- 3.1(a) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).
- 3.1(a)(i) Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred

Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2001 (File no. 1-10323).

- 3.1(b) Certificate of Designation of Series B Preferred Stock - incorporated by reference to Exhibit 3.1(b) to Continental's Annual Report on Form 10-K for the year ended December 31, 2000 (File no. 1-10323).
- 3.1(c) Corrected Certificate of Designations of Series B Preferred Stock - incorporated by reference to the Exhibit 3.1 to Continental's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 (File no. 1-10323).
- 3.2 Bylaws of Continental, as amended through October 17, 2007.
- 10.1 Supplemental Agreement No. 43, dated July 18, 2007 to Purchase Agreement No. 1951, dated July 23, 1996, between Continental and The Boeing Company relating to the purchase of Boeing 737 aircraft. (1)
- 10.2* Employment Agreement dated as of October 15, 2007 between Continental and Lawrence W. Kellner.
- 10.3* Employment Agreement dated as of October 15, 2007 between Continental and Jeffery A. Smisek.
- 10.4* Employment Agreement dated as of October 15, 2007 between Continental and James E. Compton.
- 10.5* Employment Agreement dated as of October 15, 2007 between Continental and Jeffrey J. Misner.
- 10.6* Employment Agreement dated as of October 15, 2007 between Continental and Mark J. Moran.
- 10.7* First Amendment, dated as of October 15, 2007, to the Continental Airlines, Inc. Annual Executive Bonus Program (as amended and restated through February 22, 2006).
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**BYLAWS
OF
CONTINENTAL AIRLINES, INC.**

Including all amendments through October 17, 2007

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BYLAWS

OF

CONTINENTAL AIRLINES, INC.

Incorporated under the Laws of the State of Delaware

ARTICLE I Stockholders

Section 1.1 Annual Meeting. The annual meeting of stockholders of the Corporation for the election of Directors and for the transaction of any other proper business shall be held at such time and date in each year as the Board of Directors may determine from time to time. The annual meeting in each year shall be held at such place within or without the State of Delaware as may be fixed by the Board of Directors, or if not so fixed, at the principal business office of the Corporation.

Section 1.2 Special Meetings. Subject to the rights of the holders of any class or series of preferred stock of the Corporation, or any other series or class of stock as set forth in the Amended and Restated Certificate of Incorporation of the Corporation (as it may be amended from time to time in accordance with its terms and applicable law, the "Restated Certificate of Incorporation"), to elect additional Directors under specified circumstances, special meetings of the stockholders may be called only by (i) stockholders holding Common Stock constituting more than 50% of the voting power of the outstanding shares of Common Stock, (ii) the Chief Executive Officer or (iii) the Board of Directors.

Section 1.3 Place of Meeting. The Board of Directors may designate the place of meeting for any meeting of the stockholders. If no designation is made by the Board of Directors, the place of meeting shall be the principal executive offices of the Corporation.

Section 1.4 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, unless notice is waived in writing or by electronic transmission by all stockholders entitled to vote at the meeting, a notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and, in the case of a special meeting, the purpose for which the meeting is called.

Unless otherwise provided by law, and except as to any stockholder duly waiving notice, the notice of any meeting shall be given personally or by mail or by electronic transmission in the manner provided by law, not less than ten nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, notice shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If, however, the adjournment is for more than 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 the meeting.

Section 1.5 Quorum. Except as otherwise provided by law, by the Restated Certificate of Incorporation, or by these Bylaws in respect of the vote required for a specified action, at any meeting of stockholders the holders of a majority of the aggregate voting power of the outstanding stock entitled to vote thereat, either present or represented by proxy, shall constitute a quorum for the transaction of any business, but the stockholders present, although less than a quorum, may adjourn the meeting to another time or place and, except as provided in the last paragraph of [Section 1.4](#), notice need not be given of the adjourned meeting.

Section 1.6 Voting. Except as otherwise provided by the Restated Certificate of Incorporation or these Bylaws, whenever Directors are to be elected at a meeting, they shall be elected by a plurality of the votes cast at the meeting by the holders of stock entitled to vote. Whenever any corporate action, other than the election of Directors, is to be taken by vote of stockholders at a meeting, it shall be authorized by a majority of the votes cast at the meeting by the holders of stock entitled to vote thereon, except as otherwise required by law, by the Restated Certificate of Incorporation or by these Bylaws.

Except as otherwise provided by law, or by the Restated Certificate of Incorporation or these Bylaws, each holder of record of stock of the Corporation entitled to vote on any matter at any meeting of stockholders shall be entitled to one vote for each share of such stock standing in the name of such holder on the stock ledger of the Corporation on the record date for the determination of the stockholders entitled to vote at the meeting.

Upon the demand of any stockholder entitled to vote, the vote for Directors or the vote on any other matter at a meeting shall be by written ballot, but otherwise the method of voting and the manner in which votes are counted shall be discretionary with the presiding officer at the meeting.

Section 1.7 Presiding Officer and Secretary. At every meeting of stockholders the Chairman of the Board or the Chief Executive Officer, as designated by the Board of Directors, or, if neither is present, or in the absence of any such designation, the appointee of the meeting, shall preside. The Secretary, or in his or her absence an Assistant Secretary, or if none be present, the appointee of the presiding officer of the meeting, shall act as secretary of the meeting.

Section 1.8 Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him or her by proxy executed in writing by the stockholder or as otherwise permitted by law, or by his or her duly authorized attorney-in-fact. Such proxy must be filed with the Secretary of the Corporation or his or her representative at or before the time of the meeting.

Section 1.9 List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder in the manner provided by law. The list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law.

The stock ledger shall be the only evidence as to which stockholders are the stockholders entitled to examine the stock ledger or the list required by this [Section 1.9](#), or to vote in person or by proxy at any meeting of stockholders.

Section 1.10 Notice of Stockholder Business and Nominations.

A. Annual Meetings of Stockholders.

(1) Subject to Section 2.2 of these Bylaws, nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting delivered pursuant to Section 1.4 of these Bylaws, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who complied with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Section 1.10 and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A) (1) of this Section 1.10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than seventy days nor more than ninety days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than twenty days, or delayed by more than seventy days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the ninetieth day prior to such annual meeting and not later than the close of business on the later of the seventieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A) (2) of this Section 1.10 to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least eighty days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) Special Meeting of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 1.4 of these Bylaws. Subject to Section 2.2 of these Bylaws, nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 1.10 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice as required by paragraph (A) (2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the ninetieth day prior to such special meeting and not later than the close of business on the later of the seventieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) General. (1) Only persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Restated Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance with this Section 1.10, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10. Nothing in this Section 1.10 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act. Section 1.11 Inspectors of Elections; Opening and Closing the Polls. The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at the meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware (the "GCL").

The chairman of the meeting shall fix and announce at the meeting the time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

Section 1.12 Written Consent of Stockholders in Lieu of Meeting. Any action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, (A) 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 and (B) shall be delivered to the Corporation at its registered office in the State of Delaware, at its principal place of business or to an officer or agent of the Corporation having custody of the minute books in which proceedings of meetings of stockholders are recorded. Delivery shall be made by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of the signature of each stockholder, and no written consent shall be effective to take corporate action unless, within 60 days of the earliest dated consent, written consents signed by a sufficient number of holders to take such action are delivered to the Corporation in the manner described above in this Section 1.12.

1. ARTICLE IIDirectors

Section 2.1 Powers and Duties of Directors; Number. The business of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the stockholders by the Restated Certificate of Incorporation, by these Bylaws, or by law. Except as otherwise permitted by or consistent with Foreign Ownership Restrictions (as defined below), at no time shall more than one-third of the Directors in office be Aliens (as defined in the Restated Certificate of Incorporation). The Board shall adopt the Annual Capital Expenditure Budget and the Annual Financial Plan, both as defined in Section 3.3, for each fiscal year not later than the last day of the preceding fiscal year or at such later time as shall be determined by resolution of the Board. "Foreign Ownership Restrictions" means applicable statutory, regulatory and interpretive restrictions regarding foreign ownership or control of U.S. air carriers as amended or modified from time to time.

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 thirteen.

Section 2.2 Election; Term; Vacancies. Each Director shall hold office until the next annual election and until his or her successor is elected and qualified, or until his earlier death, resignation or removal. The Directors shall be elected annually by the stockholders in the manner specified by the Restated Certificate of Incorporation and these Bylaws, except that if there be a vacancy in the Board of Directors by reason of death, resignation or otherwise, such vacancy may also be filled for the unexpired term by a majority affirmative vote of the Board of Directors.

Section 2.3 Resignation.

(A) Any Director may resign at any time upon notice given in writing or by electronic transmission to the Corporation. Any such resignation shall take effect at the time received by the Corporation, unless the resignation specifies a later effective date or an effective date determined upon the happening of one or more events, such as failing to receive a specified vote for re-election as a Director.

(B) A Director's resignation which is conditioned upon the Director failing to receive a specified vote for re-election as a Director may provide that it is irrevocable.

(C) If an incumbent Director does not receive the vote for re-election specified in his or her conditional resignation in an uncontested election of Directors, the Board of Directors (or a committee designated by the Board of Directors) shall, no later than 60 days following the date of the certification of the election results, consider the attendant circumstances and any other factors it deems relevant and determine whether to accept the Director's resignation. If the Board of Directors (or the committee designated by the Board of Directors to make such determination) determines not to accept the Director's resignation, then such resignation shall not be effective with respect to the applicable election.

(D) For purposes of this Section 2.3, an "uncontested election" shall mean an election of Directors where the only nominees are those nominated by the Board of Directors.

Section 2.4 Removal. Any Director may be removed at any time, with or without cause, by vote at a meeting or written consent of the holders of stock entitled to vote on the election of such Director pursuant to the Restated Certificate of Incorporation.

Section 2.5 Meetings.

(A) **Annual Meeting.** Immediately after each annual meeting of stockholders, the duly elected Directors shall hold an inaugural meeting for the purpose of organization, election of officers, and the transaction of other business, at such place as shall be fixed by the person presiding at the meeting of stockholders at which such Directors are elected.

(B) **Regular Meetings.** Regular meetings of the Board of Directors shall be held on such dates and at such times and places as shall be designated from time to time by the Board of Directors; provided, that regular meetings of the Board of Directors can be waived at the request of the Chief Executive Officer if at least a majority of the Directors agree in writing or by electronic transmission to such waiver at least seven days before the date of the meeting to be so waived. The Secretary shall forward to each Director, at least five days before any such regular meeting, a notice of the time and place of the meeting, together with the agenda for the meeting or in lieu thereof a notice of waiver if the regular meeting has been waived.

(C) **Special Meetings.** Special meetings of the Directors may be called by the Chairman of the Board, the Chairman of the Executive Committee, the Chief Executive Officer or a majority of the Directors, at such time and place as shall be specified in the notice or waiver thereof. Notice of each special meeting, including the time and place of the meeting and the agenda therefor, shall be given by the Secretary or by the person calling the meeting to each Director by causing the same to be delivered personally or by facsimile transmission not later than the close of business on the second day next preceding the day of the meeting.

(D) **Location; Methods of Participation.** Meetings of the Board of Directors, regular or special, may be held at any place within or without the State of Delaware at such place as is indicated in the notice or waiver of notice thereof. Members of the Board of Directors, or of any committee designated by the Board, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

Section 2.6 Quorum and Voting. A majority of the total number of Directors (excluding those who must recuse themselves by law) ("**Recused Directors**") shall constitute a quorum for the transaction of business, but, if there be less than a quorum at any meeting of the Board of Directors, a majority of the Directors present may adjourn the meeting from time to time, and no further notice thereof need be given other than announcement at the meeting which shall be so adjourned. Except as otherwise provided by law, by the Restated Certificate of Incorporation, or by these Bylaws, the affirmative vote of a majority of the Directors present at a meeting (excluding Recused Directors) at which a quorum is present shall be the act of the Board of Directors.

Section 2.7 Written Consent of Directors in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.8 Compensation. Directors may receive compensation for services to the Corporation in their capacities as Directors or otherwise in such manner and in such amounts as may be fixed from time to time by the Board of Directors.

1. ARTICLE III Committees of the Board of Directors

Section 3.1 Creation. The Board of Directors, by resolution or resolutions passed by a majority of the whole Board of Directors, may designate one or more committees, each to consist of such number of Directors of the Corporation as shall be specified in such resolution. Each committee of the Board shall have and may exercise such powers and duties as may be provided in such resolution, except that no such committee shall have the power to elect Directors or the power or authority reserved for the whole Board of Directors pursuant to Section 141(c)(2) of the GCL, except as otherwise set forth in such Section 141(c)(2).

Section 3.2 Committee Procedure. Each committee of the Board of Directors shall meet at the times stated by the Board in the resolution or resolutions establishing such committee or on notice to all members given by any member of such committee. The Board by resolution or resolutions shall establish the rules of procedure to be followed by each committee, which shall include a requirement that such committee keep regular minutes of its proceedings and deliver to the Secretary the same.

Section 3.3 Certain Definitions.

(A) **Annual Capital Expenditure Budget.** When used in these Bylaws, the term "Annual Capital Expenditure Budget" shall mean an annual capital expenditure budget, which shall be approved by the Board of Directors not later than the last day of the preceding fiscal year (or at such later time determined by the Board pursuant to Section 2.1).

(B) **Annual Financial Plan.** When used in these Bylaws, the term "Annual Financial Plan" shall mean an annual financial plan, which shall be approved by the Board of Directors not later than the last day of the preceding fiscal year (or at such later time determined by the Board pursuant to Section 2.1).

ARTICLE IV Officers, Agents and Employees

Section 4.1 Appointment and Term of Office. The officers of the Corporation shall include a Chairman of the Board, a Chief Executive Officer, a President, and a Secretary, and may also include a Chief Operating Officer, a Chief Financial Officer, a Treasurer, one or more Vice Presidents (who may be further classified by such descriptions as "executive", "senior", "assistant", "staff" or otherwise, as the Board of Directors shall determine), one or more Assistant Secretaries and one or more Assistant Treasurers. All such officers shall be appointed by the Board of Directors. Any number of such offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity. Except as may be prescribed otherwise by the Board of Directors in a particular case, all such officers shall hold their offices at the pleasure of the Board for an unlimited term and need not be reappointed annually or at any other periodic interval. The Board of Directors may appoint, and may delegate power to appoint, such other officers, agents and employees as it may deem necessary or proper, who shall hold their offices or positions for such terms, have such authority and perform such duties as may from time to time be determined by or pursuant to authorization of the Board of Directors.

Section 4.2 Resignation and Removal. Any officer may resign at any time upon written notice to the Corporation. Any officer, agent or employee of the Corporation may be removed by the Board of Directors with or without cause at any time. The Board of Directors may delegate such power of removal as to officers, agents and employees not appointed by the Board of Directors. Such removal shall be without prejudice to a person's contract rights, if any, but the appointment of any person as an officer, agent or employee of the Corporation shall not of itself create contract rights.

Section 4.3 Compensation and Bond. The compensation of the officers of the Corporation shall be fixed by the Board of Directors, but this power may be delegated to any officer by the Board of Directors. The Corporation may secure the fidelity of any or all of its officers, agents or employees by bond or otherwise.

Section 4.4 Chairman of the Board. The Chairman of the Board shall be selected from the members of the Board of Directors and shall preside at all meetings of the Board of Directors. In addition, the Chairman of the Board shall have such other powers and duties as may be delegated to him or her by the Board of Directors. The Chairman of the Board shall not be deemed to be an officer of the Corporation for purposes of Article IV of these Bylaws unless he or she shall also be the Chief Executive Officer.

Section 4.5 Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and, in the absence of the Chairman of the Board (or if there be none), he or she shall preside at all meetings of the Board of Directors. The Chief Executive Officer shall have general charge of the business affairs of the Corporation. He or she may employ and discharge employees and agents of the Corporation, except such as shall be appointed by the Board of Directors, and he or she may delegate these powers. The Chief Executive Officer may vote the stock or other securities of any other domestic or foreign corporation of any type or kind which may at any time be owned by the Corporation, may execute any stockholders' or other consents in respect thereof and may in his or her discretion delegate such powers by executing proxies, or otherwise, on behalf of the Corporation. The Board of Directors by resolution from time to time may confer like powers upon any other person.

Section 4.6 President. The President shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.7 Chief Operating Officer. The Chief Operating Officer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.8 Chief Financial Officer. The Chief Financial Officer shall have general charge of the financial affairs of the Corporation, and shall have such other powers and duties as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.9 Vice Presidents. Each Vice President shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 4.10 Treasurer. The Treasurer shall have charge of all funds and securities of the Corporation, may endorse the same for deposit or collection when necessary and deposit the same to the credit of the Corporation in such banks or depositories as the Board of Directors may authorize. He or she may endorse all commercial documents requiring endorsements for or on behalf of the Corporation and may sign all receipts and vouchers for payments made to the Corporation. He or she shall have all such further powers and duties as generally are incident to the position of Treasurer or as may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.11 Secretary. The Secretary shall distribute all materials to be distributed in connection with regular and special meetings of the Board of Directors, record all the proceedings of the meetings of the stockholders and Directors in a book to be kept for that purpose and shall also record therein all action taken by written consent of the Directors, and committees of the Board of Directors in lieu of a meeting. He or she shall attend to the giving and serving of all notices of the Corporation. He or she shall have custody of the seal of the Corporation and shall attest the same by his or her signature whenever required. He or she shall have charge of the stock ledger and such other books and papers as the Board of Directors may direct, but he or she may delegate responsibility for maintaining the stock ledger to any transfer agent or registrar appointed by the Board of Directors. He or she shall have all such further powers and duties as generally are incident to the position of Secretary or as may be assigned to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.12 Assistant Treasurers. In the absence or inability to act of the Treasurer, any Assistant Treasurer may perform all the duties and exercise all the powers of the Treasurer. The performance of any such duty shall, in respect of any other person dealing with the Corporation, be conclusive evidence of his or her power to act. An Assistant Treasurer shall also perform such other duties as the Treasurer or the Board of Directors may assign to him or her.

Section 4.13 Assistant Secretaries. In the absence or inability to act of the Secretary, any Assistant Secretary may perform all the duties and exercise all the powers of the Secretary. The performance of any such duty shall, in respect of any other person dealing with the Corporation, be conclusive evidence of his or her power to act. An Assistant Secretary shall also perform such other duties as the Secretary or the Board of Directors may assign to him or her.

Section 4.14 Delegation of Duties. In case of the absence of any officer of the Corporation, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may confer for the time being the powers or duties, or any of them, of such officer upon any other officer or upon any Director.

Section 4.15 Prohibition on Loans to Directors and Executive Officers. The Corporation shall not directly or indirectly extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any member of the Board of Directors or executive officer of the Corporation, as such terms are used in Section 13(k) of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

ARTICLE VI Limitation of Liability and Indemnification

Section 5.1 Limitation of Liability of Directors. 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.

Section 5.2 Mandatory Indemnification of Directors and Officers. The Corporation shall indemnify to the full extent permitted by the laws of the State of Delaware as from time to time in effect any person who was or is a party or is threatened to be made a party to, or otherwise requires representation by counsel in connection with, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether or not an action by or in the right of the Corporation), by reason of the fact that he or she is or was a Director or officer of the Corporation, or, while serving as a Director or officer of the Corporation, 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, or by reason of any action alleged to have been taken or omitted in such capacity. The right to indemnification conferred by this Section 5.2 also shall include the right of such persons described in this Section 5.2 to be paid in advance by the Corporation for their expenses (including attorneys' fees) to the full extent permitted by applicable law as from time to time in effect. The right to indemnification conferred on such persons by this Section 5.2 shall be a contract right.

Section 5.3 Permissive Indemnification of Non-Officer Employees and Agents. The Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (whether or not an action by or in the right of the Corporation) by reason of the fact that the person is or was an employee (other than an officer) or agent of the Corporation, or, while serving as an employee (other than an officer) or agent of the Corporation, 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, to the extent (i) permitted by the laws of the State of Delaware as from time to time in effect, and (ii) authorized in the sole discretion of the Chief Executive Officer and at least one other of the following officers: the President, the Chief Financial Officer, or the General Counsel of the Corporation (the Chief Executive Officer and any of such other officers so authorizing such indemnification, the "Authorizing Officers"). The Corporation may, to the extent permitted by Delaware law and authorized in the sole discretion of the Authorizing Officers, pay expenses (including attorneys' fees) reasonably incurred by any such employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, upon such terms and conditions as the Authorizing Officers authorizing such expense advancement determine in their sole discretion. The provisions of this Section 5.3 shall not constitute a contract right for any such employee or agent.

Section 5.4 General Provisions. The rights and authority conferred in any of the Sections of this Article V shall not be exclusive of any other right which any person seeking indemnification or advancement of expenses may have or hereafter acquire under any statute, provision of the Restated Certificate of Incorporation or these Bylaws, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office and shall 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. Neither the amendment or repeal of this Article V or any of the Sections thereof nor the adoption of any provision of the Restated Certificate of Incorporation or these Bylaws or of any statute inconsistent with this Article V or any of the Sections thereof shall eliminate or reduce the effect of this Article V or any of the Sections thereof in respect of any acts or omissions occurring prior to such amendment, repeal or adoption or an inconsistent provision.

ARTICLE VI Common Stock

Section 6.1 Certificates. The shares of stock of the Corporation shall be represented by certificates or, as the Board of Directors may provide by resolution, uncertificated shares. Each holder of record of the stock of the Corporation (including, upon request to the Corporation's transfer agent or registrar, holders of record of uncertificated stock) shall be entitled to have a certificate representing such stock, which certificate shall be in such form as shall be approved by the Board of Directors and shall be signed in the name of the Corporation by the Chairman of the Board or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. Each such certificate may be sealed with the seal of the Corporation or a facsimile thereof, and any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 6.2 Transfers of Stock & Record Holders. Transfers of shares of stock of the Corporation shall be made on the stock ledger of the Corporation only upon authorization by the record holder thereof or by such holder's attorney, successor or assignee thereunto authorized by power of attorney (or other proper evidence of succession, assignment or authority to transfer) duly executed and filed with the Corporation's transfer agent or registrar. If the shares to be transferred are certificated, such transfer shall be made only upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power with reasonable assurances given that such endorsement is genuine and that all applicable taxes thereon have been paid. Except as otherwise provided by applicable law, the Corporation shall be entitled to recognize the exclusive right of the holder of record of any share or shares as the owner of such share or shares for all purposes, including, without limitation, the rights to receive dividends or other distributions, and to vote as such owner, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person whether or not it shall have express or other notice thereof.

Section 6.3 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new stock certificate or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or his or her legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares. The Board of Directors may require such owner to satisfy other reasonable requirements.

Section 6.4 Stockholder Record Date.

(A) Stockholder Meetings.

(1) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date, except as otherwise required by applicable law (i) shall not precede the date on which the resolution fixing the record date is adopted and (ii) shall not be more than 60 nor less than ten days before the date of such meeting.

(2) 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.

(3) If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the date on which notice is given or, if notice is waived by all stockholders entitled to vote at the meeting, at the close of business on the day next preceding the day on which the meeting is held.

(4) Only stockholders that are stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, notwithstanding any transfer of any stock on the stock ledger of the Corporation after any record date so fixed.

(B) Stockholder Action by Written Consent.

(1) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting (including by telegram, cablegram or other electronic transmission as permitted by law), the Board of Directors may fix a record date, which record date shall not precede or be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors.

(2) Any stockholder of record seeking to have the stockholders authorize or take corporate action by consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to Section 6.4(B)(1) of these Bylaws).

(3) If no record date has been fixed by the Board of Directors within 10 days after the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner described in Section 1.12 of these Bylaws.

(4) If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(5) Only stockholders that are stockholders of record on the record date shall be entitled to consent to corporate action in writing without a meeting, notwithstanding any transfer of any stock on the stock ledger of the Corporation after any such record date.

(C) Dividends, Distributions or Other Rights. In order that the Corporation may determine the stockholders 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 may fix, in advance, a record date, which record date, except as otherwise required by applicable law (i) shall not precede the date on which the resolution fixing the record date is adopted and (ii) shall not be more than sixty days prior to such action. Only stockholders that are stockholders of record on the date so fixed shall be 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, notwithstanding any transfer of any stock on the stock ledger of the Corporation after any record date so fixed. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or 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.

Section 6.5 Rules and Procedures. The Board of Directors may make such additional rules and procedures, not inconsistent with, the Restated Certificate of Incorporation, these Bylaws, applicable law or contractual prohibitions, as it may deem appropriate concerning the issuance, transfer and registration of certificated and uncertificated shares of stock of the Corporation. The Board of Directors may appoint, or authorize any officer or officers of the Corporation to appoint, one or more independent transfer agents and one or more independent registrars, and may require all certificates for shares of stock to bear the signature or signatures of any of them.

ARTICLE VII Ownership by Aliens

Section 7.1 Foreign Stock Record. There shall be maintained a separate stock record, designated the "Foreign Stock Record," for the registration of Voting Stock, as defined in Section 7.2, that is Beneficially Owned (as defined in the Restated Certificate of Incorporation) by Aliens, as defined in the Restated Certificate of Incorporation ("Alien Stock"). The Beneficial Ownership by Aliens of Voting Stock shall be determined in conformity with regulations prescribed by the Board of Directors.

Section 7.2 Maximum Percentage. At no time shall ownership of shares representing more than the Maximum Percentage, as defined below, be registered in the Foreign Stock Record. As used herein, (a) "Maximum Percentage" means the maximum percentage of voting power of Voting Stock, as defined below, which may be voted by, or at the direction of, Aliens without violating Foreign Ownership Restrictions or adversely affecting the Corporation's operating certificates or authorities, and (b) "Voting Stock" means all outstanding shares of capital stock of the Corporation issued from time to time by the Corporation and Beneficially Owned by Aliens which, but for the provisions of Section 1 of Article Sixth of the Restated Certificate of Incorporation, by their terms may vote (at the time such determination is made) for the election of Directors of the Corporation, except shares of Preferred Stock that are entitled to vote for the election of Directors solely as a result of the failure to pay dividends by the Corporation or other breach of the terms of such Preferred Stock.

Section 7.3 Recording of Shares. If at any time there exist shares of Voting Stock that are Alien Stock but that are not registered in the Foreign Stock Record, the Beneficial Owner thereof may request, in writing, the Corporation to register ownership of such shares on the Foreign Stock Record and the Corporation shall comply with such request, subject to the limitation set forth in Section 7.2. The order in which Alien Stock shall be registered on the Foreign Stock Record shall be chronological, based on the date the Corporation received a written request to so register such shares of Alien Stock. If at any time the Corporation shall find that the combined voting power of Voting Stock then registered in the Foreign Stock Record exceeds the Maximum Percentage, there shall be removed from the Foreign Stock Record the registration of such number of shares so registered as is sufficient to reduce the combined voting power of the shares so registered to an amount not in excess of the Maximum Percentage. The order in which such shares shall be removed shall be reverse chronological order based upon the date the Corporation received a written request to so register such shares of Alien Stock.

ARTICLE VIII General Provisions

Section 8.1 Fiscal Year. The fiscal year of the Corporation shall begin the first day of January and end on the last day of December of each year.

Section 8.2 Dividends. Dividends upon the capital stock may be declared by the Board of Directors at any regular or special meeting and may be paid in cash or in property or in shares of the capital stock. Before paying any dividend or making any distribution of profits, the Directors may set apart out of any funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may alter or abolish any such reserve or reserves.

Section 8.3 Checks, Notes, Drafts, Etc. Checks, notes, drafts, acceptances, bills of exchange and other orders or obligations for the payment of money shall be signed by such officer or officers or person or persons as the Board of Directors or a duly authorized committee thereof, the Chief Executive Officer or the Treasurer may from time to time designate.

Section 8.4 Corporate Seal. The seal of the Corporation shall be circular in form and shall bear, in addition to any other emblem or device approved by the Board of Directors, the name of the Corporation and the words "Corporate Seal" and "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 8.5 Waiver of Notice. Whenever notice is required to be given by statute, or under any provision of the Restated Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. In the case of a stockholder, such waiver of notice may be signed by such stockholder's attorney or proxy duly appointed in writing or as otherwise permitted by law. 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 or any waiver by electronic transmission.

ARTICLE IX Restated Certificate of Incorporation to Govern

Section 9.1 Restated Certificate of Incorporation to Govern. Notwithstanding anything to the contrary herein, if any provision contained herein is inconsistent with or conflicts with a provision of the Restated Certificate of Incorporation, such provision herein shall be superseded by the inconsistent provision in the Restated Certificate of Incorporation, to the extent necessary to give effect to such provision in the Restated Certificate of Incorporation.

Supplemental Agreement No. 43

to

Purchase Agreement No. 1951

Between The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 737 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of

July 18, 2007, by and between THE BOEING COMPANY (Boeing) and Continental Airlines, Inc. (Buyer);

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

WHEREAS, Buyer wishes to exercise [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

WHEREAS, Buyer wishes to exercise [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

WHEREAS, Buyer wishes to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

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

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

1. Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 43.
2. Remove and replace, in its entirety, page T-3-5, of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-800 Aircraft", with the revised page T-3-5 of Table 1 attached hereto.
3. Remove and replace, in its entirety, page T-6-1 and T-6-2, of Table 1 entitled the "Aircraft Deliveries and Descriptions, Model 737-900ER Aircraft", with the revised page T-6-1 and T-6-2 of Table 1 attached hereto.

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

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

THE BOEING COMPANY Continental Airlines, Inc.

By: /s/ Anthony J. Hicker By: /s/ Gerald Laderman

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

Finance and Treasurer

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- Supplemental Agreement No. 25 December 31, 2001
- Supplemental Agreement No. 26 March 29, 2002
- Supplemental Agreement No. 27 November 6, 2002
- Supplemental Agreement No. 28 April 1, 2003
- Supplemental Agreement No. 29 August 19, 2003
- Supplemental Agreement No. 30 November 4, 2003
- Supplemental Agreement No. 31 August 20, 2004
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- Supplemental Agreement No. 33 December 29, 2004
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Aircraft Deliveries and Descriptions

Model 737-800 Aircraft

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

Table 1 to Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-900ER Aircraft

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

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and LAWRENCE W. KELLNER ("Executive"), and is dated and effective as of October 15, 2007 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of April 14, 2004 (the "Existing Agreement"), as amended by that certain Compensation Reduction Agreement between Company and Executive dated December 22, 2004, and that certain Amendment to Compensation Reduction Agreement between Company and Executive dated February 15, 2005 (the Compensation Reduction Agreement and the Amendment to Compensation Reduction Agreement being referred to herein collectively as the "Existing Compensation Reduction Agreement"); and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), has made it necessary to amend the Existing Agreement in certain respects, and, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date; and

WHEREAS, the parties are not amending or replacing the Existing Compensation Reduction Agreement, which shall remain in full force and effect, and shall be deemed to apply to and reduce certain awards as provided therein; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company (the "HR Committee") has authorized the execution, delivery and performance by Company of this Agreement;

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 Positions. Company shall employ Executive in the positions of Chairman of the Board and Chief Executive Officer of Company. Company shall, for the full term of Executive's employment hereunder, cause Executive to be nominated for election as a director of Company and use its best efforts to secure such election. Neither the Board of Directors of Company (the "Board of Directors") nor any other officer or representative of Company shall assign to Executive any duties materially inconsistent with the duties associated with the positions described in this paragraph 1.2 as such duties are constituted as of the Effective Date. Company shall not permit the occurrence of acts or conduct on the part of Company, the Board of Directors, or Company's officers, representatives or stockholders which prevent Executive from, or substantively hinder Executive in, performing his duties or responsibilities pursuant to this Agreement.

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

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on April 14, 2009 (the "Initial Term"). Said term of employment shall be extended automatically for a successive five-year period as of the last day of the Initial Term and as of the last day of each successive five-year period thereafter that this Agreement is in effect (each such successive five-year extended term being referred to herein as an "Extended Term"); provided, however, that if, prior to the date which is six months before the last day of the Initial Term or any such Extended Term, as applicable, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the Initial Term or Extended Term, as applicable, during which such notice is given.

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

- (i) upon Executive's death;
- (ii) upon Executive's becoming incapacitated for a period of at least 180 days by accident, sickness or other circumstance that renders him mentally or physically incapable of performing the material duties and services required of him hereunder on a full-time basis during such period;
- (iii) if, in carrying out his duties hereunder, Executive engages in conduct that constitutes willful gross neglect or willful gross misconduct resulting in material economic harm to Company;
- (iv) upon the conviction of Executive for a felony or any crime involving moral turpitude; or
- (v) for any other reason whatsoever, in the sole discretion of the Board of Directors.

For purposes of this Agreement, if Executive's employment is terminated by Company pursuant to clauses (i), (ii), (iii) or (iv) above, then such termination shall be for "Cause", and if Executive's employment is terminated by Company pursuant to clause (v) above, then such termination shall be "without Cause."

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

- (i) a material diminution in Executive's authority, duties, or responsibilities from those applicable to him as of the Effective Date, including a change in the reporting structure so that Executive reports other than to the Board of Directors;
- (ii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement shall mean Company requiring Executive to be permanently based more than 50 miles

outside the city limits of Houston, Texas;

(iii) a material diminution in Executive's base salary;

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, paragraphs 1.2, 3.2, or 3.8 of this Agreement); or

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

For purposes of this Agreement, Executive's employment by Company will be considered to have been terminated by Executive for "Good Reason" if such termination of employment is by Executive for a reason encompassed by paragraphs 2.3(i), (ii), (iii), or (iv). Further, notwithstanding the foregoing provisions of this paragraph 2.3 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for Good Reason shall not be effective unless all of the following conditions are satisfied: (1) the condition described in paragraphs 2.3(i), (ii), (iii), or (iv) giving rise to Executive's termination of employment must have arisen without Executive's written consent; (2) Executive must provide written notice to Company of such condition in accordance with paragraph 5.2 within 90 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within two years after the initial existence of the condition specified in such notice.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or he shall do so by giving written notice to the other party in accordance with paragraph 5.2 that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

2.5 Certain Determinations under Section 409A of the Code. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if Executive will no longer serve as an officer of Company) of the average level of bona fide services provided in the immediately preceding 36 months. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$712,500 or (ii) such amount as the parties may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Program and Long Term Incentive Program.

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

(b) Long-Term Incentive Programs. Executive shall participate in each long-term incentive program maintained by Company on and after the Effective Date (including, without limitation, any such program maintained for the year during which the Effective Date occurs) at a level that is not less than the highest participation level made available to any Company executive; provided that Company shall at all times maintain Executive's long-term incentive compensation opportunity in an amount that is at least as great as the long-term compensation awards granted as incentive compensation in the year in which the Effective Date occurs.

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.8). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment, and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive on or as soon as practicable following the day on which the tax with respect to such income is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted) an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries within 30 days after the date of Executive's death an amount equal to the sum of (1) the difference between the Termination Payment and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit").

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

(ii) Offset for CARP or Other Benefit. Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of a monthly straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time of payment.

(iii) Normal Retirement Benefits. Executive's benefit under the Plan shall be paid only in a lump sum payment in an amount that is the actuarial equivalent, based on the actuarial assumptions set forth in paragraph 3.5(vii), of the Base Benefit for the life of Executive paying equal monthly installments beginning on the Retirement Date (the "Normal Retirement Benefit"). The Normal Retirement Benefit shall be paid to Executive on or within five business days following the Retirement Date or, if later and if required to satisfy the provisions of Section 409A(a)(2)(B) of the Code, on or within five business days after the Section 409A Payment Date. If the Section 409A Payment Date is after the Retirement Date, then payment of the Normal Retirement Benefit (with interest on such benefit from the Retirement Date to the actual date of payment at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)) shall be paid by Company to Executive (or, in the event of Executive's death, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date. For purposes hereof: (a) "Beneficiary" is defined as (1) Executive's surviving spouse, if Executive is married on the date of Executive's death, or (2) Executive's estate, if Executive is not married on the date of Executive's death; (b) "Retirement Date" is defined as the first day of the month coincident with or next following the later of (1) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (2) the date of Executive's retirement from employment with Company; and (c) "Section 409A Payment Date" is defined as the earlier of (1) the date of Executive's death or (2) the date which is six months after the date of termination of Executive's employment with Company.

(iv) Early Retirement Benefits. As of the Effective Date, Executive is eligible to retire and receive an Early Retirement Benefit (as defined below). Accordingly, notwithstanding the provisions of paragraph 3.5(iii), if Executive's employment with Company is terminated prior to the Retirement Date, for a reason other than death, then Company shall pay Executive the Normal Retirement Benefit on or within five business days following the first day of the month coinciding with or next following Executive's termination of employment (the "Earliest ERB Payment Date"), or, if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, on or within five business days after the Section 409A Payment Date (an "Early Retirement Benefit"); provided, however, that the amount of the benefit shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined as if payment would be made on the Earliest ERB Payment Date) to be the actuarial equivalent of the value of the Normal Retirement Benefit (based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for such time of payment). If payment of the Early Retirement Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code as provided in the preceding sentence, then payment of the Early Retirement Benefit (with interest on such benefit from the Earliest ERB Payment Date to the actual date of payment at the Aa Corporate Bond Rate) shall be paid by Company to Executive (or, in the event of Executive's death after the Earliest ERB Payment Date, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date.

(v) Death Benefit. Except (a) as provided in paragraph 3.5(iii) if the Section 409A Payment Date is after the Retirement Date, (b) as provided in paragraph 3.5(iv) if the payment of the Early Retirement Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, and (c) as provided in the remaining provisions of this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit is paid pursuant to paragraphs 3.5(iii) or 3.5(iv), as applicable. In the event of Executive's death prior to payment of Executive's benefit pursuant to paragraphs 3.5(iii) or 3.5(iv) (other than under the circumstances described in clauses (a) or (b) of the preceding sentence, in which case the benefits described in paragraphs 3.5(iii) or 3.5(iv), as applicable, shall be paid in full), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a death benefit payable only as a lump sum payment in an amount that is the actuarial equivalent of a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Such benefit shall be paid on or within 10 business days following the first day of the month coincident with or next following the date of Executive's death; provided, however, that if Executive dies prior to reaching age 60, then the amount of such benefit shall be reduced based on the principles used for the reductions described in the proviso to the first sentence of paragraph 3.5(iv).

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Code and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that he must rely upon the general credit of Company for payment of benefits under the Plan. Company has established a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded; provided, however, that (a) to the extent that the payment of any amount due under this paragraph 3.5 is or may be delayed by reason of Section 409A(a)(2)(B)(i) of the Code, Company shall, on or as soon as practicable after the date of Executive's termination of employment with Company, contribute to the trust the amount necessary to assure that the trust has sufficient funds to pay on the Section 409A Payment Date the amount payable pursuant to this paragraph 3.5 (including any interest provided for in this paragraph 3.5 based on the assumption that payment will be delayed for six months), and (b) notwithstanding the foregoing, in no event shall money and/or property be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent" or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to Executive's spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining lump sum benefits payable under the CARP; provided, however, that with respect to the discount rate used to calculate benefits under the Plan, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date Executive (or, in the case of Executive's death, Executive's spouse) is to receive the lump sum payment (determined without regard to any delay in such payment that may be required by reason of Section 409A(a)(2)(B)(i) of the Code), as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable lump sum payment for Executive (or, in the case of Executive's death, Executive's spouse) and shall deliver such information to Executive or such spouse.

(viii) Medicare Payroll Taxes. Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan. Any payment by Company to Executive pursuant to this paragraph 3.5(viii) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted).

3.6 Additional Disability Benefit. If Executive shall begin to receive long-term disability insurance benefits pursuant to a plan maintained by Company and if such benefits cease prior to Executive's attainment of age 65 and while Executive remains disabled, then Company shall pay Executive on the date Executive attains age 65 a lump sum, cash payment in an amount equal to the Termination Payment (together with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the cessation of such long-term disability insurance benefits) for the period beginning on the date of the cessation of such long-term disability insurance benefits and ending on the date of the payment of the Termination Payment). If Executive receives payment of a Termination Payment pursuant to the provisions of Article 4, then the provisions of this paragraph 3.6 shall terminate. If Executive shall be disabled at the time his employment with Company terminates and if Executive shall not be entitled to the payment of a Termination Payment pursuant to the provisions of Article 4 upon such termination, then Executive's right to receive the payment upon the occurrence of the circumstances described in this paragraph 3.6 shall be deemed to have accrued as of the date of such termination and shall survive the termination of this Agreement.

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

(i) Automobile - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on terms at least as favorable to Executive as provided in the applicable policy adopted by the HR Committee that is in effect as of the Effective Date.

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

(iii) Parking - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and two reserved parking places at George Bush Intercontinental Airport in Houston, Texas consistent with past practice in a location that is the same as or equivalent to that regularly used by Company's senior executives.

(iv) Other Company Benefits - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements

or modifications of the same, which are now, or may hereafter be, available to similarly situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits (as such term is defined in paragraph 4.8) and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without his prior written consent.

3.8 Corporate Amenities. During the period of this Agreement, Company shall take no action that materially adversely affects the corporate amenities enjoyed by Executive as of the Effective Date.

3.9 Covenant Not to Compete and Related Matters.

(a) Company shall, during the term of this Agreement, disclose or entrust Company trade secrets or confidential information to Executive, shall provide Executive the opportunity to develop Company's business good will, or shall disclose or entrust Company's business opportunities to Executive.

(b) In consideration for a payment previously made by Company to Executive, and in keeping with Executive's duties as a fiduciary, and to protect the trade secrets and confidential information of Company that have been or will be disclosed to Executive, the business good will of Company that has been or will be developed in Executive, or the business opportunities that have been or will be disclosed or entrusted to Executive by Company, Company and Executive agree to the non-competition provisions of this subparagraph (b). Executive agrees that during the period of Executive's non-competition obligations hereunder, Executive will not, directly or indirectly for Executive or others, in any State, territory or protectorate of the United States in which Company is qualified to do business or in any foreign country in which Company has an office, station or branch as of the date of termination of Executive's employment with Company, engage in an executive, advisory or consulting capacity for any passenger air carrier; provided, however, that Executive shall not be restricted, after his termination of employment with Company, from being employed by, or advising or consulting to, a business engaged in providing advice or consulting services to a broad range of companies, including passenger air carriers, as long as Executive, during the period of Executive's non-competition obligations hereunder, does not involve himself in the rendering of executive, advisory or consulting services to any passenger air carrier. Executive may obtain upon written request to Company a list of locations where his post-termination business activities are so limited.

(c) The non-competition obligations described in subparagraph (b) above shall survive the termination of this Agreement and extend from the date of Executive's termination of employment with Company through the date that is 24 months after such termination of employment; provided, however, that such non-competition obligations shall terminate and be inapplicable if Executive's employment with Company is terminated (A) by Company without Cause or pursuant to subparagraph 2.2(ii) or (B) by Executive for Good Reason.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of his employment, except that (A) (i) the benefits described in paragraph 3.5 shall continue to be payable, (ii) Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, and the death benefit rights shall be provided as described in paragraphs 4.7 and 4.8, (iii) Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.8) for the remainder of Executive's lifetime, (iv) Executive shall be paid on the effective date of such termination for his accrued and unused vacation benefits up to a maximum of four weeks, (v) any amounts reimbursable but unpaid to Executive at the date of such termination shall be reimbursed to Executive pursuant to the provisions of paragraph 3.7 and any amounts owed but unpaid to Executive under any plan, policy or program of Company (other than Company's vacation policy, which is addressed in clause (iv) above) as of the date of termination shall be paid to Executive at the time and to the extent provided by, and in accordance with the terms of, such plan, policy or program and this Agreement, and (vi) Executive shall be provided with two reserved parking places at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, in a location that is the same or equivalent to that regularly used by Company's senior executives, at Company's cost and for Executive's lifetime as long as Executive retains a residence in Houston, Texas (provided, however, that to the extent the benefit described in this clause (A)(vi) and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period), and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (ii) if such termination occurs prior to the date upon which a Change in Control (as such term is defined in paragraph 4.8) occurs, pay to Executive, at the same time as Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program") (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iii) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive, within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iv) pay Executive on the effective date of such termination a lump sum, cash payment in an amount equal to the Termination Payment (provided, however, that if the payment of the Termination Payment would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as

provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount shall be paid within five business days after the Section 409A Payment Date), and (v) provide Executive with Outplacement and Related Services (as such term is defined in paragraph 4.8 and for the time periods described therein; provided, however, that to the extent the benefits provided to Executive under clause (2) of the definition of Outplacement and Related Services and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payment not later than the fifth day following the expiration of such six-month period). Capitalized terms used in clauses (ii) and (iii) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date. If the payment of the Termination Payment is delayed as provided in the parenthetical set forth in clause (B)(iv) of the first sentence of this paragraph, then (1) interest on such delayed payment for the period beginning on the date of Executive's termination of employment and ending on the date of the payment of the Termination Payment at the Aa Corporate Bond Rate (as determined as provided in clause (B)(v) of the first sentence of this paragraph) shall also be paid by Company to Executive at the time of the payment of the Termination Payment, and (2) Company shall, on or as soon as practicable after the date of Executive's termination of employment, contribute cash in an amount equal to the Termination Payment plus the interest described in clause (1) of this sentence (based on the assumption that the payment will be delayed for six months) to an irrevocable grantor ("rabbi") trust of which Executive is the sole beneficiary and the trustee of which is a nationally-recognized and solvent bank or trust company that is not affiliated with Company (subject to the claims of Company's creditors, as required pursuant to applicable Internal Revenue Service guidance to prevent the imputation of income to Executive prior to distribution from the trust), pursuant to which the Termination Payment plus applicable interest shall be payable from the trust at the time provided herein, provided that (x) to the extent such amount is paid to Executive by Company, the trust shall pay such amount to Company, and (y) in no event shall cash be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1 (except that the parking benefit described in clause (A)(vi) of such sentence shall not be provided if the reason for such termination is encompassed by paragraphs 2.2(iii) or (iv)), and:

(i) if such termination shall be without Cause, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (or such longer period as provided for under the circumstances in applicable option awards, but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (2) if such termination occurs prior to the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the NLTIP/RSU Program (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (3) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), and (4) provide Executive (or his designated beneficiary or beneficiaries) with the benefits contemplated under paragraph 3.3 or paragraph 3.6, as applicable. Capitalized terms used in clauses (2) and (3) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1, and, if such termination shall be by Executive for Good Reason, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable).

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Code), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive on or as soon as practicable following the day on which the Excise Tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which the Excise Tax is remitted) an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments; provided, however, that Company's obligation to pay

Executive a Gross-up Payment with respect to an Excise Tax relating to Section 409A of the Code is conditioned on Executive having, on and after the Effective Date, cooperated with Company to execute any amendment to the provisions hereof or any other agreement or arrangement reasonably necessary to avoid the imposition of such Excise Tax, but only to the minimum extent necessary to avoid the application of such Excise Tax and only to the extent that Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to him, or the benefits otherwise to be provided to him, by Company or (ii) any material increase in the risk of Executive not receiving such amounts or benefits, it being agreed that, upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon as so described) proposed to be deferred in payment to Executive under the terms of this proviso. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against him or anyone else. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.8 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

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

4.7 Flight Benefits.

(i) Scope; Effectiveness. Paragraphs 4.7 and 4.8 set forth the terms and conditions of Flight Benefits provided to Executive effective as of January 1, 2008. Prior to and including December 31, 2007, Executive shall be entitled to Flight Benefits on the terms set forth in the Existing Agreement. Executive's Flight Benefits include Grandfathered Flight Benefits (as such term is defined in paragraph 4.8), which Executive shall retain in accordance with the terms and conditions of this paragraph 4.7 and the other terms of this Agreement. Effective calendar year 2008, the Grandfathered Flight Benefits shall be used in a calendar year only after Executive has used the annual Flight Benefits allotted to Executive for such year and then shall be used in accordance with the terms and conditions of this paragraph 4.7; provided, however, that if Executive would be subject to additional taxes and interest under Section 409A of the Code if Executive's right to use Executive's annual allotment of Flight Benefits is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then, during the six-month period following Executive's termination of employment, Executive shall be able to use (a) first, Executive's Annual Travel Limit and Annual Gross Up Limit (as such terms are defined in paragraph 4.8) that are not part of Executive's Grandfathered Flight Benefits until the time that such benefits used (together with any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during such period) have an aggregate value equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination of employment occurs, and (b) then, Executive's Grandfathered Flight Benefits.

(ii) Restrictions on Use; Consequences of Misuse.

(a) Personal Use Restriction. Executive agrees that the Flight Benefits are to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (as such terms are defined in paragraph 4.8) during any calendar year), and that credit availability on Executive's UATP card may be suspended if (A) such UATP card is used for business purposes other than as described above and (B) after receiving written notice from Company to cease such usage, Executive continues to use Executive's UATP card for such business purposes.

(b) Booking and Ticketing; Accounting; Reimbursement.

(1) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(2) Executive shall be responsible for all charges on Executive's UATP card in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that are not for flights on the CO System. Executive agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Executive's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Executive under the applicable policies of Company for reimbursement of business expenses of officers of Company, or that are for tickets in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that violate the restrictions set forth in this paragraph 4.7, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Executive agrees that the credit availability under Executive's UATP card may be suspended if Executive does not timely reimburse Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits);

provided, that, immediately upon Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits), beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card will be restored.

(iii) Imputed Income. The sole cost to Executive of flights on the CO System pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Executive's UATP card, or as otherwise required by law, and reported to Executive as required by applicable law. For purposes of tax reporting of Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data or as required by law. With respect to any period for which Company is obligated to provide the Annual Gross Up Limit, Executive will provide to Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit Company to calculate accurately the amount to be paid to Executive.

(iv) Section 409A Matters. It is intended that the Flight Benefits program described in this Agreement comply with the limitations and requirements of Section 409A of the Code to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that (a) no such interpretation, amendment or correction shall result in Executive being treated worse than other Company officers in the same or a lower officer category than Executive and (b) Company may not modify or amend the Grandfathered Flight Benefits without Executive's prior written consent.

(v) Additional Survivor Benefits. Upon Executive's death, in addition to the lifetime benefits provided pursuant to paragraphs 4.8(viii)(2)(c) and (d), Executive's surviving spouse and children will be permitted to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Grandfathered Flight Benefits (but only in such amounts as were unused by Executive at the date of Executive's death), which amounts shall be adjusted upon any change in the valuation methodology used by Company for imputed income for U.S. federal income tax purposes from flights so as to preserve (a) a benefit level for purchase of tickets on the CO System at least as favorable as the amount available at the date of Executive's death and (b) a benefit level of tax gross up at least as favorable as the tax gross up benefit level available at the date of Executive's death. Upon Executive's death, Company shall issue UATP cards in the names of Executive's surviving spouse and children, as applicable. In determining any adjustment pursuant to the first sentence of this paragraph 4.7(v), Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Executive's surviving spouse and children upon request. Company will provide Executive's surviving spouse and children an annual statement specifying the survivor benefit and any adjustments described in this subparagraph. Executive's spouse and children will provide to Company, upon request, a calculation or other evidence of their respective marginal tax rates sufficient to permit Company to calculate accurately the amount of any Annual Gross Up Limit that is part of the Grandfathered Flight Benefits and which is to be paid to such individual. All rights, duties and obligations of Executive, and all rights, duties and obligations of Company, relating to Executive's usage of Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children who may use such Flight Benefits.

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

(i) "affiliates" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity;

(ii) "Annual Travel Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Travel Limit and will notify Executive promptly of any adjustments to the Annual Travel Limit described in this subparagraph. Any portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iii) "Annual Gross Up Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit

department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Gross Up Limit and will notify Executive promptly of any adjustments to the Annual Gross Up Limit described in this subparagraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iv) "Change in Control" shall have the same meaning as is assigned to such term under the NLTIP/RSU Program as in effect on the Effective Date;

(v) "Continuation Coverage" shall mean, subject to the limitations described in this paragraph 4.8(v), the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability). Such coverage shall be offered solely as an alternative to any COBRA continuation coverage applicable to any group health plan otherwise available to Executive (and each of Executive's dependents, if any) within the meaning of ERISA sections 601 through 608. Further, any such coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Such coverage shall be provided by Company at no greater contribution, deductible or co-pay cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment. The coverage described in this paragraph 4.8(v) (or the receipt of equivalent benefits) shall be provided to Executive under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive (or, if any such reimbursement or payment of benefits is taxable, then Company shall pay to Executive an amount as shall be required to hold Executive harmless from any additional tax liability resulting from the failure by Company to so provide insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and any such payment by Company to Executive shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted)), and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(vi) "CO System" shall mean (1) flights operated by Company or any of its affiliates or any successor or successors thereto and (2) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Executive and subject to clause (2), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers;

(vii) "Eligible Family Members" means, with respect to each annual benefit year, Executive's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then, following such termination of employment, an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 4.8(viii)(2)(a) is taxable;

(viii) "Flight Benefits" shall (1) for the period from the Effective Date through December 31, 2007, have the meaning and shall be determined, provided and construed in accordance with the terms and conditions set forth in the Existing Agreement, and (2) for calendar year 2008 and beyond (to the extent Executive is entitled to such benefits under the terms of this Agreement), mean flight benefits on each airline in the CO System consisting of the following (and such flight benefits shall be provided and construed in accordance with the terms and conditions set forth in paragraphs 4.7 and 4.8):

(a) highest priority space available flight passes, including appropriate flight pass identification cards, for Executive and Executive's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Executive's name for charging (subject to the restrictions set forth in paragraph 4.7(ii)) the purchase of tickets on the CO System (in any fare class) for travel by Executive, Executive's spouse, Executive's family and significant others as determined by Executive. The UATP card may be used up to the amount of any Grandfathered Flight Benefits and, on an annual, calendar-year basis, up to the Annual Travel Limit;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names, such cards to be lifetime membership cards;

(d) a membership for Executive and Executive's spouse and children in Company's Presidents Club (or any successor program), such memberships to be lifetime memberships (subject to the terms and conditions of membership, including minimum age requirements);

(e) payment by Company to Executive of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Executive as a result of Executive's service as an employee of Company, and any payment by Company to Executive pursuant to this paragraph 4.8(viii)(2)(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted); and

(f) the Grandfathered Flight Benefits (including the use of the UATP card with respect thereto);

(ix) "Grandfathered Flight Benefits" shall mean (1) Executive's accrued but unused "Annual Travel Limit" and "Annual Gross Up Limit" as determined pursuant to the terms of the Existing Agreement and as reflected on the records of Company as of December 31, 2007 (which amounts represent (a) Executive's balances as of December 31, 2004 that were earned and vested as of such date, plus (b) additions to such balances for the period from January 1, 2005 through December 31, 2007 (the right to which were earned and vested as of December 31, 2004), reduced by (c) the portion of such balances used by Executive on or before December 31, 2007), and (2) upon the death of Executive, the death benefit rights provided to Executive's surviving

spouse and children with respect to the Grandfathered Flight Benefits as set forth in paragraph 4.7, each of which Company and Executive believe are "grandfathered" under Section 409A of the Code. Grandfathered Flight Benefits shall not include any portion of the annual Flight Benefits provided to Executive for a calendar year beginning after December 31, 2007, and shall be reduced when and to the extent used by Executive pursuant to the terms of paragraph 4.7;

(x) "Outplacement and Related Services" shall mean (1) outplacement services, at Company's cost and for a period of 12 months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors (with such approval not to be unreasonably withheld), and (2) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for Executive's lifetime or a shorter period if such perquisites become unavailable to Company for use by Executive; and

(xi) "Termination Payment" shall mean an amount equal to three times the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 150% of the amount described in the foregoing clause (1).

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for his reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to him should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence. Any reimbursement of attorneys' fees and disbursements required under this paragraph 5.1 and any reimbursement of costs and expenses required under paragraph 3.7(ii) or paragraph 4.4 shall be made by Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to Company (but in any event not later than the close of Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by Executive); provided, however, that, upon Executive's termination of employment with Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code; provided that interest at the rate specified above in this Section 5.1 shall be paid to Executive with respect to any time period that reimbursement is so delayed and such interest shall be paid at the same time as the reimbursement. In no event shall any reimbursement be made to Executive for such fees, disbursements, costs and expenses incurred after the later of (1) the tenth anniversary of the date of Executive's death or (2) the date that is ten years after the date of Executive's termination of employment with Company.

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

If to Company: Continental Airlines, Inc.

1600 Smith, Dept. HOSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive: At the most recent address on file with Company.

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

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

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

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

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

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

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

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

5.10 Successors. This Agreement shall be binding upon and inure to the benefit of Company and any successor of Company, including without limitation any person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Company by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Except as provided in the preceding sentence or in paragraph 3.3 (regarding

assignment of life insurance benefits), this Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party. The parties intend that the provisions of this Agreement benefitting Executive's estate or his surviving spouse and children shall be enforceable by them.

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

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.7(iv) and any awards under Company's stock incentive plans or programs, Annual Executive Bonus Program, NLTP/RSU Program or similar plans or programs, (ii) the Existing Compensation Reduction Agreement, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement (but not the Existing Compensation Reduction Agreement) shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder; provided, however, that the provisions of the Existing Agreement relating to the provision of Flight Benefits shall survive through December 31, 2007. The Existing Compensation Reduction Agreement shall continue to apply after the Effective Date. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

5.14 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date (and, at that time, Executive shall also receive interest thereon from the date such payment or benefit would have been provided in the absence of this paragraph until the date of receipt of such payment or benefit at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)). Upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon) required to be deferred in payment to Executive pursuant to the preceding sentence. This paragraph shall not apply to any payment or benefit otherwise described in the first sentence of this paragraph if another provision of this Agreement is intended to cause Executive's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

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

CONTINENTAL AIRLINES, INC.

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By: /s/ Jennifer L. Vogel

Name: Jennifer L. Vogel

Title: Senior Vice President,

General Counsel, Secretary

and Chief Compliance Officer

"EXECUTIVE"

-

/s/ Lawrence W. Kellner

LAWRENCE W. KELLNER

-
APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and JEFFERY A. SMISEK ("Executive"), and is dated and effective as of October 15, 2007 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of August 12, 2004 (the "Existing Agreement"), as amended by that certain Compensation Reduction Agreement between Company and Executive dated December 22, 2004, and that certain Amendment to Compensation Reduction Agreement between Company and Executive dated February 15, 2005 (the Compensation Reduction Agreement and the Amendment to Compensation Reduction Agreement being referred to herein collectively as the "Existing Compensation Reduction Agreement"); and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), has made it necessary to amend the Existing Agreement in certain respects, and, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date; and

WHEREAS, the parties are not amending or replacing the Existing Compensation Reduction Agreement, which shall remain in full force and effect, and shall be deemed to apply to and reduce certain awards as provided therein; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company (the "HR Committee") has authorized the execution, delivery and performance by Company of this Agreement;

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 Positions. Company shall employ Executive in the position of President of Company, or in such other positions as the parties may agree. Company shall, for the full term of Executive's employment hereunder, cause Executive to be nominated for election as a director of Company and use its best efforts to secure such election. Neither the Board of Directors of Company (the "Board of Directors") nor any other officer or representative of Company shall assign to Executive any duties materially inconsistent with the duties associated with the positions described in this paragraph 1.2 as such duties are constituted as of the Effective Date. Company shall not permit the occurrence of acts or conduct on the part of Company, the Board of Directors, or Company's officers, representatives or stockholders which prevent Executive from, or substantively hinder Executive in, performing his duties or responsibilities pursuant to this Agreement.

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

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on August 12, 2009 (the "Initial Term"). Said term of employment shall be extended automatically for a successive one-year period as of the last day of the Initial Term and as of the last day of each successive one-year period of time thereafter that this Agreement is in effect (each such successive one-year extended term being referred to herein as an "Extended Term"); provided, however, that if, prior to the date which is six months before the last day of the Initial Term or any such Extended Term, as applicable, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the Initial Term or Extended Term, as applicable, during which such notice is given.

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

(i) upon Executive's death;

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

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

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

(v) upon Executive committing an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at Company's expense;

(vi) upon Executive's material breach of a material obligation of Executive under this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Company to Executive; or

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

For purposes of this Agreement, if Executive's employment is terminated by Company pursuant to clauses (i), (ii), (iii), (iv), (v) or (vi) above, then such termination shall be for "Cause", and if Executive's employment is terminated by Company pursuant to clause (vii) above, then such termination shall be "without Cause."

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

(i) a material diminution in Executive's authority, duties, or responsibilities from those applicable to him as of the Effective Date, including a change in the reporting structure so that Executive reports other than to the Chief Executive Officer of Company;

(ii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement shall mean Company requiring Executive to be permanently based more than 50 miles outside the city limits of Houston, Texas;

(iii) a material diminution in Executive's base salary;

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, paragraphs 1.2, 3.2, or 3.8 of this Agreement); or

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

For purposes of this Agreement, Executive's employment by Company will be considered to have been terminated by Executive for "Good Reason" if such termination of employment is by Executive for a reason encompassed by paragraphs 2.3(i), (ii), (iii), or (iv). Further, notwithstanding the foregoing provisions of this paragraph 2.3 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for Good Reason shall not be effective unless all of the following conditions are satisfied: (1) the condition described in paragraphs 2.3(i), (ii), (iii), or (iv) giving rise to Executive's termination of employment must have arisen without Executive's written consent; (2) Executive must provide written notice to Company of such condition in accordance with paragraph 5.2 within 90 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within two years after the initial existence of the condition specified in such notice.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or he shall do so by giving written notice to the other party in accordance with paragraph 5.2 that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

2.5 Certain Determinations under Section 409A of the Code. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if Executive will no longer serve as an officer of Company) of the average level of bona fide services provided in the immediately preceding 36 months. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$576,000 or (ii) such amount as the parties may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Program and Long Term Incentive Program.

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

(b) Long-Term Incentive Programs. Executive shall participate in each long-term incentive program maintained by Company on and after the Effective Date (including, without limitation, any such program maintained for the year during which the Effective Date occurs) at a level that is not less than the highest participation level made available to any Company executive (other than Company's Chief Executive Officer) and Company shall not make a percentage reduction in Executive's long-term incentive compensation opportunity (considering only normal annual grants of incentive compensation) greater than the percentage reduction applied to any other executive of Company.

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.8). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment, and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive on or as soon as practicable following the day on which the tax with respect to such income is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted) an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries within 30 days after the date of Executive's death an amount equal to the sum of (1) the difference between the Termination Payment and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be an annual amount (that is payable as a monthly straight life annuity) equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 30 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of years (including partial years) beginning January 1, 1995, through the end of Executive's period of employment with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") with respect to credited service ("Actual Years of Service"), (2) an additional two years of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2000 and ending on December 31, 2004, and (3) if the Termination Payment becomes payable to Executive under this Agreement or if Executive's employment is terminated for a reason encompassed by paragraphs 2.2(i) or 2.2(ii), an additional three years of service. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$720,000 or (B) the average of the five highest annual cash compensation amounts paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of Company), but shall exclude (i) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, (ii) any Termination Payment paid to Executive under this Agreement, (iii) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (iv) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company (including RSUs awarded under Company's Long Term Incentive and RSU Program), and (v) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

(ii) Offset for CARP or Other Benefit. Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of a monthly straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time of payment.

(iii) Normal Retirement Benefits. Executive's benefit under the Plan shall be paid only in a lump sum payment in an amount that is the actuarial equivalent, based on the actuarial assumptions set forth in paragraph 3.5(vii), of the Base Benefit for the life of Executive paying equal monthly installments beginning on the Retirement Date (the "Normal Retirement Benefit"). The portion of the Normal Retirement Benefit equal to the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date. The portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date or, if later and if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, on or within five business days after the Section 409A Payment Date. If the Section 409A Payment Date is after the Retirement Date, then payment of the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit (with interest on such portion of the benefit from the Retirement Date to the actual date of payment at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)) shall be paid by Company to Executive (or, in the event of Executive's death, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date. For purposes hereof: (a) "Beneficiary" is defined as (1) Executive's surviving spouse, if Executive is married on the date of Executive's death, or (2) Executive's estate, if Executive is not married on the date of Executive's death; (b) "Grandfathered Benefit" is defined in paragraph 3.5(ix); (c) "Retirement Date" is defined as the first day of the month coincident with or next following the later of (1) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (2) the date of Executive's retirement from employment with Company; and (d) "Section 409A Payment Date" is defined as the earlier of (1) the date of Executive's death or (2) the date which is six months after the date of termination of Executive's employment with Company.

(iv) Early Retirement Benefits. As of the Effective Date, Executive is eligible to retire and receive an Early Retirement Benefit (as defined below). Accordingly, notwithstanding the provisions of paragraph 3.5(iii), if Executive's employment with Company is terminated prior to the Retirement Date, for a reason other than death, then Company shall pay Executive the Normal Retirement Benefit on or within five business days following the first day of the month coinciding with or next following Executive's termination of employment (the "Earliest ERB Payment Date"), or, if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, Company shall pay Executive the portion of the Normal Retirement Benefit equal to the Grandfathered Benefit on or within five business days following the Earliest ERB Payment Date and Company shall pay Executive the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit on or within five business days after the Section 409A Payment Date (an "Early Retirement Benefit"); provided, however, that the amount of the benefit shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined as if payment would be made on the Earliest ERB Payment Date) to be the actuarial equivalent of the value of the Normal Retirement Benefit (based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for such time of payment). If payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code as provided in the preceding sentence, then payment of such portion of the Early Retirement Benefit (with interest on such portion of the benefit from the Earliest ERB Payment Date to the actual date of payment at the Aa Corporate Bond Rate) shall be paid by Company to Executive (or, in the event of Executive's death after the Earliest ERB Payment Date, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date.

(v) Death Benefit. Except (a) as provided in paragraph 3.5(iii) with respect to the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit if the Section 409A Payment Date is after the Retirement Date, (b) as provided in paragraph 3.5(iv) if the payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, and (c) as provided in the remaining provisions of this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit is paid pursuant to paragraphs 3.5(iii) or 3.5(iv), as applicable. In the event of Executive's death prior to payment of Executive's benefit pursuant to paragraphs 3.5(iii) or 3.5(iv) (other than under the circumstances and with respect to the portion of

the benefit described in clauses (a) or (b) of the preceding sentence, in which case the benefits described in paragraphs 3.5(iii) or 3.5(iv), as applicable, shall be paid in full), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a death benefit payable only as a lump sum payment in an amount that is the actuarial equivalent of a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Such benefit shall be paid on or within 10 business days following the first day of the month coincident with or next following the date of Executive's death; provided, however, that if Executive dies prior to reaching age 60, then the amount of such benefit shall be reduced based on the principles used for the reductions described in the proviso to the first sentence of paragraph 3.5(iv).

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Code and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that he must rely upon the general credit of Company for payment of benefits under the Plan. Company has established a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded; provided, however, that (a) to the extent that the payment of any amount due under this paragraph 3.5 is or may be delayed by reason of Section 409A(a)(2)(B)(i) of the Code, Company shall, on or as soon as practicable after the date of Executive's termination of employment with Company, contribute to the trust the amount necessary to assure that the trust has sufficient funds to pay on the Section 409A Payment Date the amount payable pursuant to this paragraph 3.5 (including any interest provided for in this paragraph 3.5 based on the assumption that payment will be delayed for six months), and (b) notwithstanding the foregoing, in no event shall money and/or property be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent" or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to Executive's spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining lump sum benefits payable under the CARE; provided, however, that with respect to the discount rate used to calculate benefits under the Plan, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date Executive (or, in the case of Executive's death, Executive's spouse) is to receive the lump sum payment (determined without regard to any delay in such payment that may be required by reason of Section 409A(a)(2)(B)(i) of the Code), as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable lump sum payment for Executive (or, in the case of Executive's death, Executive's spouse) and shall deliver such information to Executive or such spouse.

(viii) Medicare Payroll Taxes. Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan. Any payment by Company to Executive pursuant to this paragraph 3.5(viii) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted).

(ix) Section 409A Grandfathered Benefit. For purposes hereof, "Grandfathered Benefit" means the present value of the amount to which Executive would have been entitled under the Plan (based on the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004) if Executive had voluntarily terminated employment with Company without cause on December 31, 2004, and received a payment of the benefits available from the Plan on the earliest possible date allowed under the Plan to receive a payment of benefits following such termination of employment; provided, however, that (a) for any taxable year of Executive after 2004, the Grandfathered Benefit shall increase to equal the present value of the benefit Executive actually becomes entitled to, in the form and at the time actually paid, determined under the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004, without regard to (1) any services rendered by Executive after December 31, 2004, or (2) any other events affecting the amount of or the entitlement to benefits, and (b) in no event shall the Grandfathered Benefit be greater than the maximum grandfathered benefit permitted with respect to the Plan determined under the provisions of Section 409A of the Code (and the administrative guidance thereunder that is applicable to the determination of amounts deferred under a nonaccount balance plan prior to January 1, 2005, and the earnings thereon, including Treasury regulation Section 1.409A-6(a)(3)(i) and (iv)). For purposes of making any present value calculations required in accordance with this paragraph 3.5(ix) as of December 31, 2004, or any other date the benefit is valued for purposes of determining the Grandfathered Benefit, the actuarial assumptions and methods that were used under the Plan as of December 31, 2004, pursuant to the terms of the Existing Agreement shall be used. Specifically, such actuarial assumptions as of December 31, 2004 were the 1994 Group Annuity Mortality Table (as prescribed in Section 417(e) of the Code as of that date) and 5.76% (the average of the Moody's daily long-term corporate bond yield

averages for Aa-rated corporate bonds, published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding December 31, 2004).

3.6 Additional Disability Benefit. If Executive shall begin to receive long-term disability insurance benefits pursuant to a plan maintained by Company and if such benefits cease prior to Executive's attainment of age 65 and while Executive remains disabled, then Company shall pay Executive on the date Executive attains age 65 a lump sum, cash payment in an amount equal to the Termination Payment (together with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the cessation of such long-term disability insurance benefits) for the period beginning on the date of the cessation of such long-term disability insurance benefits and ending on the date of the payment of the Termination Payment). If Executive receives payment of a Termination Payment pursuant to the provisions of Article 4, then the provisions of this paragraph 3.6 shall terminate. If Executive shall be disabled at the time his employment with Company terminates and if Executive shall not be entitled to the payment of a Termination Payment pursuant to the provisions of Article 4 upon such termination, then Executive's right to receive the payment upon the occurrence of the circumstances described in this paragraph 3.6 shall be deemed to have accrued as of the date of such termination and shall survive the termination of this Agreement.

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

(i) **Automobile** - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on terms at least as favorable to Executive as provided in the applicable policy adopted by the HR Committee that is in effect as of the Effective Date.

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

(iii) **Parking** - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and two reserved parking places at George Bush Intercontinental Airport in Houston, Texas consistent with past practice in a location that is the same as or equivalent to that regularly used by Company's senior executives.

(iv) **Other Company Benefits** - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits (as such term is defined in paragraph 4.8) and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without his prior written consent.

3.8 Corporate Amenities. During the period of this Agreement, Company shall take no action that materially reduces the corporate amenities enjoyed by Executive below the level of corporate amenities enjoyed by any other executive of Company other than Company's Chief Executive Officer.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of his employment, except that (A) (i) the benefits described in paragraph 3.5 shall continue to be payable, (ii) Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, and the death benefit rights shall be provided as described in paragraphs 4.7 and 4.8, (iii) Executive and his eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.8) for the remainder of Executive's lifetime, (iv) Executive shall be paid on the effective date of such termination for his accrued and unused vacation benefits up to a maximum of four weeks, (v) any amounts reimbursable but unpaid to Executive at the date of such termination shall be reimbursed to Executive pursuant to the provisions of paragraph 3.7 and any amounts owed but unpaid to Executive under any plan, policy or program of Company (other than Company's vacation policy, which is addressed in clause (iv) above) as of the date of termination shall be paid to Executive at the time and to the extent provided by, and in accordance with the terms of, such plan, policy or program and this Agreement, and (vi) Executive shall be provided with two reserved parking places at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, in a location that is the same or equivalent to that regularly used by Company's senior executives, at Company's cost and for Executive's lifetime as long as Executive retains a residence in Houston, Texas (provided, however, that to the extent the benefit described in this clause (A)(vi) and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period), and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (ii) if such termination occurs prior to the date upon which a Change in Control (as such term is defined in paragraph 4.8) occurs, pay to Executive, at the same time as Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program") (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date

that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iii) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive, within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iv) pay Executive on the effective date of such termination a lump sum, cash payment in an amount equal to the Termination Payment (provided, however, that if the payment of the Termination Payment would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount shall be paid within five business days after the Section 409A Payment Date), and (v) provide Executive with Outplacement and Related Services (as such term is defined in paragraph 4.8 and for the time periods described therein; provided, however, that to the extent the benefits provided to Executive under clause (2) of the definition of Outplacement and Related Services and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payment not later than the fifth day following the expiration of such six-month period). Capitalized terms used in clauses (ii) and (iii) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date. If the payment of the Termination Payment is delayed as provided in the parenthetical set forth in clause (B)(iv) of the first sentence of this paragraph, then (1) interest on such delayed payment for the period beginning on the date of Executive's termination of employment and ending on the date of the payment of the Termination Payment at the Aa Corporate Bond Rate (as determined as provided in clause (B)(v) of the first sentence of this paragraph) shall also be paid by Company to Executive at the time of the payment of the Termination Payment, and (2) Company shall, on or as soon as practicable after the date of Executive's termination of employment, contribute cash in an amount equal to the Termination Payment plus the interest described in clause (1) of this sentence (based on the assumption that the payment will be delayed for six months) to an irrevocable grantor ("rabbi") trust of which Executive is the sole beneficiary and the trustee of which is a nationally-recognized and solvent bank or trust company that is not affiliated with Company (subject to the claims of Company's creditors, as required pursuant to applicable Internal Revenue Service guidance to prevent the imputation of income to Executive prior to distribution from the trust), pursuant to which the Termination Payment plus applicable interest shall be payable from the trust at the time provided herein, provided that (x) to the extent such amount is paid to Executive by Company, the trust shall pay such amount to Company, and (y) in no event shall cash be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1 (except that the parking benefit described in clause (A)(vi) of such sentence shall not be provided if the reason for such termination is encompassed by paragraphs 2.2(iii), (iv), (v) or (vi)), and:

(i) if such termination shall be without Cause, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (or such longer period as provided for under the circumstances in applicable option awards, but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (2) if such termination occurs prior to the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the NLTIP/RSU Program (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (3) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in his current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), and (4) provide Executive (or his designated beneficiary or beneficiaries) with the benefits contemplated under paragraph 3.3 or paragraph 3.6, as applicable. Capitalized terms used in clauses (2) and (3) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1, and, if such termination shall be by Executive for Good Reason, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable).

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

otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Code), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"). Company shall pay to Executive on or as soon as practicable following the day on which the Excise Tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which the Excise Tax is remitted) an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments; provided, however, that Company's obligation to pay Executive a Gross-up Payment with respect to an Excise Tax relating to Section 409A of the Code is conditioned on Executive having, on and after the Effective Date, cooperated with Company to execute any amendment to the provisions hereof or any other agreement or arrangement reasonably necessary to avoid the imposition of such Excise Tax, but only to the minimum extent necessary to avoid the application of such Excise Tax and only to the extent that Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to him, or the benefits otherwise to be provided to him, by Company or (ii) any material increase in the risk of Executive not receiving such amounts or benefits, it being agreed that, upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon as so described) proposed to be deferred in payment to Executive under the terms of this proviso. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against him or anyone else; provided that all payments and other Company obligations under this Article 4 shall be subject to Executive's execution, within 50 days after the date of Executive's termination of employment, of a general release and waiver substantially in the form attached as Exhibit A to this Agreement, which has become irrevocable. Company agrees to execute such form of release and waiver concurrently with the execution thereof by Executive. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.8 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

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

4.7 Flight Benefits.

(i) Scope; Effectiveness. Paragraphs 4.7 and 4.8 set forth the terms and conditions of Flight Benefits provided to Executive effective as of January 1, 2008. Prior to and including December 31, 2007, Executive shall be entitled to Flight Benefits on the terms set forth in the Existing Agreement. Executive's Flight Benefits include Grandfathered Flight Benefits (as such term is defined in paragraph 4.8), which Executive shall retain in accordance with the terms and conditions of this paragraph 4.7 and the other terms of this Agreement. Effective calendar year 2008, the Grandfathered Flight Benefits shall be used in a calendar year only after Executive has used the annual Flight Benefits allotted to Executive for such year and then shall be used in accordance with the terms and conditions of this paragraph 4.7; provided, however, that if Executive would be subject to additional taxes and interest under Section 409A of the Code if Executive's right to use Executive's annual allotment of Flight Benefits is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then, during the six-month period following Executive's termination of employment, Executive shall be able to use (a) first, Executive's Annual Travel Limit and Annual Gross Up Limit (as such terms are defined in paragraph 4.8) that are not part of Executive's Grandfathered Flight Benefits until the time that such benefits used (together with any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during such period) have an aggregate value equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination of employment occurs, and (b) then, Executive's Grandfathered Flight Benefits.

(ii) Restrictions on Use; Consequences of Misuse.

(a) Personal Use Restriction. Executive agrees that the Flight Benefits are to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (as such terms are defined in paragraph 4.8) during any calendar year), and that credit availability on Executive's UATP card may be suspended if (A) such UATP card is used for business purposes other than as described above and (B) after receiving written notice from Company to cease such usage, Executive continues to use Executive's UATP card for such business purposes.

(b) Booking and Ticketing; Accounting; Reimbursement.

(1) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(2) Executive shall be responsible for all charges on Executive's UATP card in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that are not for flights on the CO System. Executive agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Executive's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Executive under the applicable policies of Company for reimbursement of business expenses of officers of Company, or that are for tickets in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that violate the restrictions set forth in this paragraph 4.7, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Executive agrees that the credit availability under Executive's UATP card may be suspended if Executive does not timely reimburse Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits); provided, that, immediately upon Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits), beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card will be restored.

(iii) Imputed Income. The sole cost to Executive of flights on the CO System pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Executive's UATP card, or as otherwise required by law, and reported to Executive as required by applicable law. For purposes of tax reporting of Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data or as required by law. With respect to any period for which Company is obligated to provide the Annual Gross Up Limit, Executive will provide to Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit Company to calculate accurately the amount to be paid to Executive.

(iv) Section 409A Matters. It is intended that the Flight Benefits program described in this Agreement comply with the limitations and requirements of Section 409A of the Code to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that (a) no such interpretation, amendment or correction shall result in Executive being treated worse than other Company officers in the same or a lower officer category than Executive and (b) Company may not modify or amend the Grandfathered Flight Benefits without Executive's prior written consent.

(v) Additional Survivor Benefits. Upon Executive's death, in addition to the lifetime benefits provided pursuant to paragraphs 4.8(viii)(2)(c) and (d), Executive's surviving spouse and children will be permitted to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Grandfathered Flight Benefits (but only in such amounts as were unused by Executive at the date of Executive's death), which amounts shall be adjusted upon any change in the valuation methodology used by Company for imputed income for U.S. federal income tax purposes from flights so as to preserve (a) a benefit level for purchase of tickets on the CO System at least as favorable as the amount available at the date of Executive's death and (b) a benefit level of tax gross up at least as favorable as the tax gross up benefit level available at the date of Executive's death. Upon Executive's death, Company shall issue UATP cards in the names of Executive's surviving spouse and children, as applicable. In determining any adjustment pursuant to the first sentence of this paragraph 4.7(v), Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Executive's surviving spouse and children upon request. Company will provide Executive's surviving spouse and children an annual statement specifying the survivor benefit and any adjustments described in this subparagraph. Executive's spouse and children will provide to Company, upon request, a calculation or other evidence of their respective marginal tax rates sufficient to permit Company to calculate accurately the amount of any Annual Gross Up Limit that is part of the Grandfathered Flight Benefits and which is to be paid to such individual. All rights, duties and obligations of Executive, and all rights, duties and obligations of Company, relating to Executive's usage of Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children who may use such Flight Benefits.

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

(i) "affiliates" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity;

(ii) "Annual Travel Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Travel Limit and will notify Executive promptly of any adjustments to the Annual Travel Limit described in this subparagraph. Any

portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iii) "Annual Gross Up Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Gross Up Limit and will notify Executive promptly of any adjustments to the Annual Gross Up Limit described in this subparagraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iv) "Change in Control" shall have the same meaning as is assigned to such term under the NLTP/RSU Program as in effect on the Effective Date;

(v) "Continuation Coverage" shall mean, subject to the limitations described in this paragraph 4.8(v), the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability). Such coverage shall be offered solely as an alternative to any COBRA continuation coverage applicable to any group health plan otherwise available to Executive (and each of Executive's dependents, if any) within the meaning of ERISA sections 601 through 608. Further, any such coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Such coverage shall be provided by Company at no greater contribution, deductible or co-pay cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment. The coverage described in this paragraph 4.8(v) (or the receipt of equivalent benefits) shall be provided to Executive under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive (or, if any such reimbursement or payment of benefits is taxable, then Company shall pay to Executive an amount as shall be required to hold Executive harmless from any additional tax liability resulting from the failure by Company to so provide insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and any such payment by Company to Executive shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted)), and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(vi) "CO System" shall mean (1) flights operated by Company or any of its affiliates or any successor or successors thereto and (2) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Executive and subject to clause (2), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers;

(vii) "Eligible Family Members" means, with respect to each annual benefit year, Executive's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then, following such termination of employment, an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 4.8(viii)(2)(a) is taxable;

(viii) "Flight Benefits" shall (1) for the period from the Effective Date through December 31, 2007, have the meaning and shall be determined, provided and construed in accordance with the terms and conditions set forth in the Existing Agreement, and (2) for calendar year 2008 and beyond (to the extent Executive is entitled to such benefits under the terms of this Agreement), mean flight benefits on each airline in the CO System consisting of the following (and such flight benefits shall be provided and construed in accordance with the terms and conditions set forth in paragraphs 4.7 and 4.8):

(a) highest priority space available flight passes, including appropriate flight pass identification cards, for Executive and Executive's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Executive's name for charging (subject to the restrictions set forth in paragraph 4.7(ii)) the purchase of tickets on the CO System (in any fare class) for travel by Executive, Executive's spouse, Executive's family and significant others as determined by Executive. The UATP card may be used up to the amount of any Grandfathered Flight Benefits and, on an annual, calendar-year basis, up to the Annual Travel Limit;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names, such cards to be lifetime membership cards;

(d) a membership for Executive and Executive's spouse and children in Company's Presidents Club (or any successor program), such memberships to be lifetime memberships (subject to the terms and conditions of membership, including minimum age requirements);

(e) payment by Company to Executive of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on

such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Executive as a result of Executive's service as an employee of Company, and any payment by Company to Executive pursuant to this paragraph 4.8(viii)(2)(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted); and

(f) the Grandfathered Flight Benefits (including the use of the UATP card with respect thereto);

(ix) "Grandfathered Flight Benefits" shall mean (1) Executive's accrued but unused "Annual Travel Limit" and "Annual Gross Up Limit" as determined pursuant to the terms of the Existing Agreement and as reflected on the records of Company as of December 31, 2007 (which amounts represent (a) Executive's balances as of December 31, 2004 that were earned and vested as of such date, plus (b) additions to such balances for the period from January 1, 2005 through December 31, 2007 (the right to which were earned and vested as of December 31, 2004), reduced by (c) the portion of such balances used by Executive on or before December 31, 2007), and (2) upon the death of Executive, the death benefit rights provided to Executive's surviving spouse and children with respect to the Grandfathered Flight Benefits as set forth in paragraph 4.7, each of which Company and Executive believe are "grandfathered" under Section 409A of the Code. Grandfathered Flight Benefits shall not include any portion of the annual Flight Benefits provided to Executive for a calendar year beginning after December 31, 2007, and shall be reduced when and to the extent used by Executive pursuant to the terms of paragraph 4.7;

(x) "Outplacement and Related Services" shall mean (1) outplacement services, at Company's cost and for a period of 12 months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors (with such approval not to be unreasonably withheld), and (2) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for Executive's lifetime or a shorter period if such perquisites become unavailable to Company for use by Executive; and

(xi) "Termination Payment" shall mean an amount equal to three times the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 150% of the amount described in the foregoing clause (1).

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for his reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to him should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence. Any reimbursement of attorneys' fees and disbursements required under this paragraph 5.1 and any reimbursement of costs and expenses required under paragraph 3.7(ii) or paragraph 4.4 shall be made by Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to Company (but in any event not later than the close of Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by Executive); provided, however, that, upon Executive's termination of employment with Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code; provided that interest at the rate specified above in this Section 5.1 shall be paid to Executive with respect to any time period that reimbursement is so delayed and such interest shall be paid at the same time as the reimbursement. In no event shall any reimbursement be made to Executive for such fees, disbursements, costs and expenses incurred after the later of (1) the tenth anniversary of the date of Executive's death or (2) the date that is ten years after the date of Executive's termination of employment with Company.

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

If to Company: Continental Airlines, Inc.

1600 Smith, Dept. HQSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive: At the most recent address on file with Company.

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

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

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

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

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

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

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

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

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

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

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.7(iv) and any awards under Company's stock incentive plans or programs, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, (ii) the Existing Compensation Reduction Agreement, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement (but not the Existing Compensation Reduction Agreement) shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder; provided, however, that the provisions of the Existing Agreement relating to the provision of Flight Benefits shall survive through December 31, 2007. The Existing Compensation Reduction Agreement shall continue to apply after the Effective Date. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

5.14 No Solicitation. During Executive's employment hereunder and for a period of two years following the date of Executive's termination of employment, Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of Company or any of its subsidiaries to perform services for any entity (other than Company or its subsidiaries), or attempt to induce any such employee to leave the employ of Company or its subsidiaries.

5.15 Confidentiality. During Executive's employment hereunder and thereafter, Executive shall hold in strict confidence any Proprietary or Confidential Information related to Company or its subsidiaries, except that Executive may disclose such information as required by law, court order, regulation or similar order. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all information relating to Company, its subsidiaries or affiliates (such as business plans, trade secrets, or financial information of strategic importance to Company or its subsidiaries or affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Company and the disclosure of which would be harmful to the business prospects, financial status or reputation of Company or its subsidiaries or affiliates at the time of any disclosure by Executive.

5.16 Injunctive Relief. Executive hereby agrees that it is impossible to measure in money the damages which will accrue to Company by reason of a failure by Executive to perform any of Executive's obligations under paragraphs 5.14 and 5.15. Accordingly, if Company or any of its affiliates institutes any action or proceeding to enforce paragraphs 5.14 or 5.15, to the extent permitted by applicable law, Executive hereby waives the claim or defense that Company or its affiliates has an adequate remedy at law, and Executive shall not urge in any such action or proceeding the claim or defense that any such remedy at law exists.

5.17 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date (and, at that time, Executive shall also receive interest thereon from the date such payment or benefit would have been provided in the absence of this paragraph until the date of receipt of such payment or benefit at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)). Upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon) required to be deferred in payment to Executive pursuant to the preceding sentence. This paragraph shall not apply to any payment or benefit otherwise described in the first sentence of this paragraph if another provision of this Agreement is intended to cause Executive's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

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

By: /s/ Jennifer L. Vogel

Name: Jennifer L. Vogel

Title: Senior Vice President,

General Counsel, Secretary
and Chief Compliance Officer

"EXECUTIVE"

/s/ Jeffery A. Smisek

JEFFERY A. SMISEK

APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

EXHIBIT A

TO

EMPLOYMENT AGREEMENT

Form of Release Agreement

(to be executed by Company and Executive).

In consideration of the benefits provided by Company to Executive, Executive hereby releases Continental Airlines, Inc. ("Continental") and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach by Continental of (i) its post-employment obligations under that certain Employment Agreement dated as of October 15, 2007 between Continental and Executive (the "Employment Agreement"), (ii) its obligations under the Continental Retirement Plan ("CARP"), under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Continental Airlines, Inc. Annual Executive Bonus Program (the "Annual Bonus Program"), the NLTIP/RSU Program, or under any other compensation plan or program of Continental (such capitalized but undefined terms having the meanings attributed to them in the Employment Agreement), or (iii) its obligations under existing agreements governing Executive's flight benefits relating to other airlines. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance or claims arising from a breach by Executive of the Employment Agreement or of Executive's obligations under the CARP, under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Annual Executive Bonus Program or the NLTIP/RSU Program, under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines. These releases are to be broadly construed in favor of the released persons. These releases do not apply to any rights or claims that may arise after the date of execution of this Release Agreement by Executive and Continental. Both parties agree that this Release Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party. Notwithstanding the foregoing, the post-employment obligations created by the Employment Agreement, the CARP, Executive's outstanding option grants and grants of restricted stock, outstanding awards under the Annual Executive Bonus Program and the NLTIP/RSU Program, or outstanding awards under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines, are not released.

Executive acknowledges that, by Executive's free and voluntary act of signing below, Executive agrees to all of the terms of this Release Agreement and intends to be legally bound thereby.

Executive acknowledges that Executive has received a copy of this Release Agreement on [date that Executive receives Release Agreement]. Executive understands that Executive may consider whether to agree to the terms contained herein

for a period of [twenty-one] [forty-five] days after the date Executive has received this Release Agreement. Accordingly, Executive may execute this Release Agreement by [date [21] [45] days after Release Agreement is given to Executive], to acknowledge Executive's understanding of and agreement with the foregoing. [Add if 45 days applies: Executive acknowledges that attached to this Release Agreement are (i) a list of the positions and ages of those employees selected for termination (or participation in the exit incentive or other employment termination program) and (ii) a list of the ages of those employees not selected for termination (or participation in such program).] Executive acknowledges that Executive has been and is hereby advised to consult with an attorney prior to executing this Release Agreement.

This Release Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Executive (the "Effective Date"). During the seven-day period prior to the Effective Date, Executive may revoke Executive's agreement to accept the terms hereof by serving written notice in accordance with Section 5.2 of the Employment Agreement to Company of Executive's intention to revoke. However, the Termination Payment provided for in the Employment Agreement will be delayed until the Effective Date.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and JAMES COMPTON ("Executive"), and is dated and effective as of October 15, 2007 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of August 12, 2004 (the "Existing Agreement"), as amended by that certain Compensation Reduction Agreement between Company and Executive dated December 22, 2004, and that certain Amendment to Compensation Reduction Agreement between Company and Executive dated February 15, 2005 (the Compensation Reduction Agreement and the Amendment to Compensation Reduction Agreement being referred to herein collectively as the "Existing Compensation Reduction Agreement"); and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), has made it necessary to amend the Existing Agreement in certain respects, and, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date; and

WHEREAS, the parties are not amending or replacing the Existing Compensation Reduction Agreement, which shall remain in full force and effect, and shall be deemed to apply to and reduce certain awards as provided therein; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company (the "HR Committee") has authorized the execution, delivery and performance by Company of this Agreement;

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 Positions. Company shall employ Executive in the position of Executive Vice President Marketing of Company, or in such other positions as the parties may agree. Neither the Board of Directors of Company (the "Board of Directors") nor any other officer or representative of Company shall assign to Executive any duties materially inconsistent with the duties associated with the positions described in this paragraph 1.2 as such duties are constituted as of the Effective Date.

1.3 Duties and Services. Executive agrees to serve in the officer positions referred to in paragraph 1.2 and to perform diligently and to the best of Executive's abilities the duties and services appertaining to such office or offices as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such offices that the parties may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on August 12, 2008 (the "Initial Term"). Said term of employment shall be extended automatically for a successive one-year period as of the last day of the Initial Term and as of the last day of each successive one-year period of time thereafter that this Agreement is in effect (each such successive one-year extended term being referred to herein as an "Extended Term"); provided, however, that if, prior to the date which is six months before the last day of the Initial Term or any such Extended Term, as applicable, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the Initial Term or Extended Term, as applicable, during which such notice is given.

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

(i) upon Executive's death;

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

(iii) Executive's gross negligence or willful misconduct in the performance of, or Executive's abuse of alcohol or drugs rendering Executive unable to perform, the material duties and services required of Executive pursuant to this Agreement;

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

(v) upon Executive committing an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at Company's expense;

(vi) upon Executive's material breach of a material obligation of Executive under this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Company to Executive; or

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

For purposes of this Agreement, if Executive's employment is terminated by Company pursuant to clauses (i), (ii), (iii), (iv), (v) or (vi) above, then such termination shall be for "Cause", and if Executive's employment is terminated by Company pursuant to clause (vii) above, then such termination shall be "without Cause."

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

(i) a material diminution in Executive's authority, duties, or responsibilities from those applicable to Executive as of the Effective Date, including a change in the reporting structure so that Executive reports other than to the Chief Executive Officer or President of Company;

(ii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement shall mean Company requiring Executive to be permanently based more than 50 miles outside the city limits of Houston, Texas;

(iii) a material diminution in Executive's base salary;

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, paragraphs 1.2, 3.2, or 3.7 of this Agreement); or

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

For purposes of this Agreement, Executive's employment by Company will be considered to have been terminated by Executive for "Good Reason" if such termination of employment is by Executive for a reason encompassed by paragraphs 2.3(i), (ii), (iii), or (iv). Further, notwithstanding the foregoing provisions of this paragraph 2.3 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for Good Reason shall not be effective unless all of the following conditions are satisfied: (1) the condition described in paragraphs 2.3(i), (ii), (iii), or (iv) giving rise to Executive's termination of employment must have arisen without Executive's written consent; (2) Executive must provide written notice to Company of such condition in accordance with paragraph 5.2 within 90 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within 180 days after the initial existence of the condition specified in such notice.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or Executive shall do so by giving written notice to the other party in accordance with paragraph 5.2 that it or Executive has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

2.5 Certain Determinations under Section 409A of the Code. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if Executive will no longer serve as an officer of Company) of the average level of bona fide services provided in the immediately preceding 36 months. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$367,200 or (ii) such amount as the parties may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

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

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.8, and based on a Severance Period (as such term is defined in paragraph 4.8) of 36 months). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment (based on a Severance Period of 36 months), and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive on or as soon as practicable following the day on which the tax with respect to such income is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted) an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries within 30 days after the date of Executive's death an amount equal to the sum of (1) the difference between the Termination Payment (based on a Severance Period of 36 months) and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit")

shall be an annual amount (that is payable as a monthly straight life annuity) equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 26 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of years (including partial years) beginning January 1, 2001, through the end of Executive's period of employment with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") with respect to credited service ("Actual Years of Service"), (2) an additional year of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2001 and ending on December 31, 2006, and (3) if the Termination Payment becomes payable to Executive under this Agreement or if Executive's employment is terminated for a reason encompassed by paragraphs 2.2(i) or 2.2(ii), an additional three years of service. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$450,000 or (B) the average of the five highest annual cash compensation amounts paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of Company), but shall exclude (i) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, (ii) any Termination Payment paid to Executive under this Agreement, (iii) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (iv) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company (including RSUs awarded under Company's Long Term Incentive and RSU Program), and (v) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

(ii) Offset for CARP or Other Benefit. Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of a monthly straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time of payment.

(iii) Normal Retirement Benefits. Executive's benefit under the Plan shall be paid only in a lump sum payment in an amount that is the actuarial equivalent, based on the actuarial assumptions set forth in paragraph 3.5(vii), of the Base Benefit for the life of Executive paying equal monthly installments beginning on the Retirement Date (the "Normal Retirement Benefit"). The portion of the Normal Retirement Benefit equal to the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date. The portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date or, if later and if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, on or within five business days after the Section 409A Payment Date. If the Section 409A Payment Date is after the Retirement Date, then payment of the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit (with interest on such portion of the benefit from the Retirement Date to the actual date of payment at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)) shall be paid by Company to Executive (or, in the event of Executive's death, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date. For purposes hereof: (a) "Beneficiary" is defined as (1) Executive's surviving spouse, if Executive is married on the date of Executive's death, or (2) Executive's estate, if Executive is not married on the date of Executive's death; (b) "Grandfathered Benefit" is defined in paragraph 3.5(ix); (c) "Retirement Date" is defined as the first day of the month coincident with or next following the later of (1) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (2) the date of Executive's retirement from employment with Company; and (d) "Section 409A Payment Date" is defined as the earlier of (1) the date of Executive's death or (2) the date which is six months after the date of termination of Executive's employment with Company.

(iv) Early Retirement Benefits. Notwithstanding the provisions of paragraph 3.5(iii), if Executive's employment with Company is terminated, for a reason other than death, on or after the date Executive attains age 55 or is credited with 10 Actual Years of Service and prior to the Retirement Date, then Company shall pay Executive the Normal Retirement Benefit on or within five business days following the first day of the month coinciding with or next following Executive's termination of employment (the "Earliest ERB Payment Date") or, if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, Company shall pay Executive the portion of the Normal Retirement Benefit equal to the Grandfathered Benefit on or within five business days following the Earliest ERB Payment Date and Company shall pay Executive the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit on or within five business days after the Section 409A Payment Date (an "Early Retirement Benefit"); provided, however, that the amount of the benefit shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined as if payment would be made on the Earliest ERB Payment Date) to be the actuarial equivalent of the value of the Normal Retirement Benefit (based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for such time of payment). If payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code as provided in the preceding sentence, then payment of such portion of the Early Retirement Benefit (with interest on such portion of the benefit from the Earliest ERB Payment Date to the actual date of payment at the Aa Corporate Bond Rate) shall be paid by Company to Executive (or, in the event of Executive's death after the Earliest ERB Payment Date, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date.

(v) Death Benefit. Except (a) as provided in paragraph 3.5(iii) with respect to the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit if the Section 409A Payment Date is after the Retirement Date, (b) as provided in paragraph 3.5(iv) if the payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, and (c) as provided in the remaining provisions of this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit is paid pursuant to paragraphs 3.5(iii) or 3.5(iv), as applicable. In the event of Executive's death prior to payment of Executive's benefit pursuant to paragraphs 3.5(iii) or 3.5(iv) (other than under the circumstances and with respect to the portion of the benefit described in clauses (a) or (b) of the preceding sentence, in which case the benefits described in paragraphs 3.5(iii) or 3.5(iv), as applicable, shall be paid in full), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a death benefit payable only as a lump sum payment in an amount that is the actuarial equivalent of a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive been entitled to

elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Such benefit shall be paid on or within 10 business days following the first day of the month coincident with or next following the date of Executive's death; provided, however, that if Executive dies prior to reaching age 60, then the amount of such benefit shall be reduced based on the principles used for the reductions described in the proviso to the first sentence of paragraph 3.5(iv).

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Code and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that Executive must rely upon the general credit of Company for payment of benefits under the Plan. Company has established a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded; provided, however, that (a) to the extent that the payment of any amount due under this paragraph 3.5 is or may be delayed by reason of Section 409A(a)(2)(B)(i) of the Code, Company shall, on or as soon as practicable after the date of Executive's termination of employment with Company, contribute to the trust the amount necessary to assure that the trust has sufficient funds to pay on the Section 409A Payment Date the amount payable pursuant to this paragraph 3.5 (including any interest provided for in this paragraph 3.5 based on the assumption that payment will be delayed for six months), and (b) notwithstanding the foregoing, in no event shall money and/or property be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent" or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to Executive's spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining lump sum benefits payable under the CARP; provided, however, that with respect to the discount rate used to calculate benefits under the Plan, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date Executive (or, in the case of Executive's death, Executive's spouse) is to receive the lump sum payment (determined without regard to any delay in such payment that may be required by reason of Section 409A(a)(2)(B)(i) of the Code), as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable lump sum payment for Executive (or, in the case of Executive's death, Executive's spouse) and shall deliver such information to Executive or such spouse.

(viii) Medicare Payroll Taxes. Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan. Any payment by Company to Executive pursuant to this paragraph 3.5(viii) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted).

(ix) Section 409A Grandfathered Benefit. For purposes hereof, "Grandfathered Benefit" means the present value of the amount to which Executive would have been entitled under the Plan (based on the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004) if Executive had voluntarily terminated employment with Company without cause on December 31, 2004, and received a payment of the benefits available from the Plan on the earliest possible date allowed under the Plan to receive a payment of benefits following such termination of employment; provided, however, that (a) for any taxable year of Executive after 2004, the Grandfathered Benefit shall increase to equal the present value of the benefit Executive actually becomes entitled to, in the form and at the time actually paid, determined under the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004, without regard to (1) any services rendered by Executive after December 31, 2004, or (2) any other events affecting the amount of or the entitlement to benefits, and (b) in no event shall the Grandfathered Benefit be greater than the maximum grandfathered benefit permitted with respect to the Plan determined under the provisions of Section 409A of the Code (and the administrative guidance thereunder that is applicable to the determination of amounts deferred under a nonaccount balance plan prior to January 1, 2005, and the earnings thereon, including Treasury regulation Section 1.409A-6(a)(3)(i) and (iv)). For purposes of making any present value calculations required in accordance with this paragraph 3.5(ix) as of December 31, 2004, or any other date the benefit is valued for purposes of determining the Grandfathered Benefit, the actuarial assumptions and methods that were used under the Plan as of December 31, 2004, pursuant to the terms of the Existing Agreement shall be used. Specifically, such actuarial assumptions as of December 31, 2004 were the 1994 Group Annuity Mortality Table (as prescribed in Section 417(e) of the Code as of that date) and 5.76% (the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds, published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding December 31, 2004).

3.6 Other Perquisites. During Executive's employment hereunder, Executive shall be afforded the following benefits as incidences of Executive's employment:

(i) Automobile - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on terms at least as favorable to Executive as provided in the applicable policy adopted by the HR Committee that is in effect as of the Effective Date. If the automobile is leased, then, except as provided in the following sentence, Company agrees to take such actions as may be necessary to permit Executive, at Executive's option, to acquire title to any automobile subject to such a lease at the

completion of the lease term by Executive paying at such time the residual payment then owing under the lease. If Executive's employment terminates (other than as a result of the reasons encompassed by paragraphs 2.2 (iii), (iv), (v) or (vi)), then:

(1) if the automobile is owned by Company, Company shall (A) transfer title to the automobile to Executive (or Executive's estate, as applicable), without cost to Executive (or Executive's estate), on the Section 409A Payment Date, and (B) to the extent the aggregate value of the use of the automobile and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the period following Executive's termination of employment and preceding the Section 409A Payment Date have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which Executive's termination of employment occurs, Executive shall pay to Company, on a monthly basis until the end of such period, the fair market value of the use of the automobile for such month, and Company shall reimburse Executive or Executive's estate (as applicable) (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payments not later than the fifth day following the date upon which title to the automobile is so transferred; or

(2) if the automobile is leased by Company, Company shall (A) transfer title to the automobile to Executive (or Executive's estate, as applicable), without cost to Executive (or Executive's estate), at the conclusion of the lease term (but in no event prior to the Section 409A Payment Date), and (B) continue to make all payments under the lease and permit Executive (or Executive's estate, as applicable) to use the automobile during the remainder of such lease term or, if later, until the automobile is so transferred to Executive (or Executive's estate, as applicable); provided, however, that to the extent the aggregate value of the use of the automobile and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the period following Executive's termination of employment and preceding the Section 409A Payment Date have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, on a monthly basis until the end of such period, the fair market value of the use of the automobile (but in no event less than the payment required under the lease) for such month, and Company shall reimburse Executive or Executive's estate (as applicable) (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payments not later than the fifth day following the end of such period.

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

(iii) Parking - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice in a location that is the same as or equivalent to that regularly used by Company's senior executives.

(iv) Other Company Benefits - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits (as such term is defined in paragraph 4.8) and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without Executive's prior written consent.

3.7 Corporate Amenities. During the period of this Agreement, Company shall take no action that materially reduces the corporate amenities enjoyed by Executive below the level of corporate amenities enjoyed by any other executive of Company other than Company's Chief Executive Officer and President.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of Executive's employment, except that (A) (i) the benefits described in paragraph 3.5 shall continue to be payable, (ii) Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, and the death benefit rights shall be provided as described in paragraphs 4.7 and 4.8, (iii) Executive and Executive's eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.8) for the remainder of Executive's lifetime, (iv) Executive shall be paid on the effective date of such termination for Executive's accrued and unused vacation benefits up to a maximum of four weeks, (v) any amounts reimbursable but unpaid to Executive at the date of such termination shall be reimbursed to Executive pursuant to the provisions of paragraph 3.7 and any amounts owed but unpaid to Executive under any plan, policy or program of Company (other than Company's vacation policy, which is addressed in clause (iv) above) as of the date of termination shall be paid to Executive at the time and to the extent provided by, and in accordance with the terms of, such plan, policy or program and this Agreement, (vi) Company shall perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.6(i), and (vii) Executive shall be provided with a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, in a location that is the same or equivalent to that regularly used by Company's senior executives, at Company's cost and for Executive's lifetime as long as Executive retains a residence in Houston, Texas (provided, however, that to the extent the benefit described in this clause (A)(vii) and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such

benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period), and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (ii) if such termination occurs prior to the date upon which a Change in Control (as such term is defined in paragraph 4.8) occurs, pay to Executive, at the same time as Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program") (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iii) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive, within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iv) pay Executive on the effective date of such termination a lump sum, cash payment in an amount equal to the Termination Payment (provided, however, that if the payment of the Termination Payment would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount shall be paid within five business days after the Section 409A Payment Date), and (v) provide Executive with Outplacement and Related Services (as such term is defined in paragraph 4.8 and for the time periods described therein; provided, however, that to the extent the benefits provided to Executive under clause (2) of the definition of Outplacement and Related Services and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period). Capitalized terms used in clauses (ii) and (iii) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date. If the payment of the Termination Payment is delayed as provided in the parenthetical set forth in clause (B)(iv) of the first sentence of this paragraph, then (1) interest on such delayed payment for the period beginning on the date of Executive's termination of employment and ending on the date of the payment of the Termination Payment at the Aa Corporate Bond Rate (as determined as provided in clause (B)(v) of the first sentence of this paragraph) shall also be paid by Company to Executive at the time of the payment of the Termination Payment, and (2) Company shall, on or as soon as practicable after the date of Executive's termination of employment, contribute cash in an amount equal to the Termination Payment plus the interest described in clause (1) of this sentence (based on the assumption that the payment will be delayed for six months) to an irrevocable grantor ("rabbi") trust of which Executive is the sole beneficiary and the trustee of which is a nationally-recognized and solvent bank or trust company that is not affiliated with Company (subject to the claims of Company's creditors, as required pursuant to applicable Internal Revenue Service guidance to prevent the imputation of income to Executive prior to distribution from the trust), pursuant to which the Termination Payment plus applicable interest shall be payable from the trust at the time provided herein, provided that (x) to the extent such amount is paid to Executive by Company, the trust shall pay such amount to Company, and (y) in no event shall cash be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1 (except that the automobile benefit described in clause (A)(vi) of such sentence and the parking benefit described in clause (A)(vii) of such sentence shall not be provided if the reason for such termination is encompassed by paragraphs 2.2 (iii), (iv), (v) or (vi)), and:

(i) if such termination shall be without Cause, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (or such longer period as provided for under the circumstances in applicable option awards, but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (2) if such termination occurs prior to the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the NLTIP/RSU Program (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (3) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position

through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTI/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), and (4) if termination was due to Executive's death, provide Executive's designated beneficiary or beneficiaries with the benefits contemplated under paragraph 3.3. Capitalized terms used in clauses (2) and (3) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTI/RSU Program as in effect on the Effective Date.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1, and, if such termination shall be by Executive for Good Reason, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable).

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Code), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive on or as soon as practicable following the day on which the Excise Tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which the Excise Tax is remitted) an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments; provided, however, that Company's obligation to pay Executive a Gross-up Payment with respect to an Excise Tax relating to Section 409A of the Code is conditioned on Executive having, on and after the Effective Date, cooperated with Company to execute any amendment to the provisions hereof or any other agreement or arrangement reasonably necessary to avoid the imposition of such Excise Tax, but only to the minimum extent necessary to avoid the application of such Excise Tax and only to the extent that Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to Executive, or the benefits otherwise to be provided to Executive, by Company or (ii) any material increase in the risk of Executive not receiving such amounts or benefits, it being agreed that, upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon as so described) proposed to be deferred in payment to Executive under the terms of this proviso. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against Executive or anyone else; provided that all payments and other Company obligations under this Article 4 shall be subject to Executive's execution, within 50 days after the date of Executive's termination of employment, of a general release and waiver substantially in the form attached as Exhibit A to this Agreement, which has become irrevocable. Company agrees to execute such form of release and waiver concurrently with the execution thereof by Executive. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.8 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

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

4.7 Flight Benefits.

(i) Scope; Effectiveness. Paragraphs 4.7 and 4.8 set forth the terms and conditions of Flight Benefits provided to Executive effective as of January 1, 2008. Prior to and including December 31, 2007, Executive shall be entitled to Flight Benefits on the terms set forth in the Existing Agreement. Executive's Flight Benefits include Grandfathered Flight Benefits (as such term is defined in paragraph 4.8), which Executive shall retain in accordance with the terms and conditions of this paragraph 4.7 and the other terms of this Agreement. Effective calendar year 2008, the Grandfathered Flight Benefits shall be used in a calendar year only after Executive has used the annual Flight Benefits allotted to Executive for such year and then shall be used in accordance with the terms and conditions of this paragraph 4.7; provided, however, that if Executive would be subject to additional taxes and interest under Section 409A of the Code if Executive's right to use Executive's annual allotment of Flight Benefits is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then, during the six-month period following Executive's termination of employment, Executive shall be able to use (a) first, Executive's Annual Travel Limit and Annual Gross Up Limit (as such terms are defined in paragraph 4.8) that are not part of Executive's

Grandfathered Flight Benefits until the time that such benefits used (together with any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during such period) have an aggregate value equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination of employment occurs, and (b) then, Executive's Grandfathered Flight Benefits.

(ii) Restrictions on Use; Consequences of Misuse.

(a) Personal Use Restriction. Executive agrees that the Flight Benefits are to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (as such terms are defined in paragraph 4.8) during any calendar year), and that credit availability on Executive's UATP card may be suspended if (A) such UATP card is used for business purposes other than as described above and (B) after receiving written notice from Company to cease such usage, Executive continues to use Executive's UATP card for such business purposes.

(b) Booking and Ticketing; Accounting; Reimbursement.

(1) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(2) Executive shall be responsible for all charges on Executive's UATP card in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that are not for flights on the CO System. Executive agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Executive's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Executive under the applicable policies of Company for reimbursement of business expenses of officers of Company, or that are for tickets in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that violate the restrictions set forth in this paragraph 4.7, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Executive agrees that the credit availability under Executive's UATP card may be suspended if Executive does not timely reimburse Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits); provided, that, immediately upon Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits), beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card will be restored.

(iii) Imputed Income. The sole cost to Executive of flights on the CO System pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Executive's UATP card, or as otherwise required by law, and reported to Executive as required by applicable law. For purposes of tax reporting of Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data or as required by law. With respect to any period for which Company is obligated to provide the Annual Gross Up Limit, Executive will provide to Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit Company to calculate accurately the amount to be paid to Executive.

(iv) Section 409A Matters. It is intended that the Flight Benefits program described in this Agreement comply with the limitations and requirements of Section 409A of the Code to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that (a) no such interpretation, amendment or correction shall result in Executive being treated worse than other Company officers in the same or a lower officer category than Executive and (b) Company may not modify or amend the Grandfathered Flight Benefits without Executive's prior written consent.

(v) Additional Survivor Benefits. Upon Executive's death, in addition to the lifetime benefits provided pursuant to paragraphs 4.8(ix)(2)(c) and (d), Executive's surviving spouse and children will be permitted to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Flight Benefits as follows:

(a) the Grandfathered Flight Benefits relating only to Executive's Annual Travel Limit (but only in such amounts as were unused by Executive at the date of Executive's death), which amounts shall be adjusted upon any change in the valuation methodology used by Company for imputed income for U.S. federal income tax purposes from flights so as to preserve a benefit level for purchase of tickets on the CO System at least as favorable as the amount available at the date of Executive's death; and

(b) an additional travel limit that shall be granted annually on January 1 of each calendar year during the ten calendar year period beginning January 1st of the calendar year following Executive's death and ending on December 31st of the year of the tenth anniversary of the Executive's death (such annual survivor benefit amount to be \$15,000), which annual amount shall be adjusted upon any change in the valuation methodology used by Company for imputed income from flights for U.S. federal income tax purposes so as to preserve an annual benefit level for purchase of tickets on the CO System at least as favorable as the benefit in effect on January 1, 2008.

Upon Executive's death, Company shall issue UATP cards in the names of Executive's surviving spouse and children, as applicable. An individual's share of the Grandfathered Flight Benefits described in paragraph 4.7(v)(a) shall be used in a calendar year only after such individual has used his or her share of the annual survivor benefit described in paragraph 4.7(v)(b). In determining any adjustment pursuant to paragraphs 4.7(v)(a) and 4.7(v)(b), Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Executive's surviving spouse and children upon request. Company will provide Executive's surviving spouse and children an annual statement specifying the survivor benefit and any adjustments described in this subparagraph. Any portion of the annual survivor benefit described in paragraph 4.7(v)(b) that remains unused at the end of the calendar year for which it was awarded shall terminate and be of no further use or value. All restrictions, duties and obligations of Executive, and all rights of Company,

relating to Executive's usage of Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children who may use such Flight Benefits.

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

(i) "affiliates" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity;

(ii) "Annualized Compensation" shall mean an amount equal to the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 125% of the amount described in the foregoing clause (1);

(iii) "Annual Travel Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Travel Limit and will notify Executive promptly of any adjustments to the Annual Travel Limit described in this subparagraph. Any portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iv) "Annual Gross Up Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Gross Up Limit and will notify Executive promptly of any adjustments to the Annual Gross Up Limit described in this subparagraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(v) "Change in Control" shall have the same meaning as is assigned to such term under the NLTI/RSU Program as in effect on the Effective Date;

(vi) "Continuation Coverage" shall mean, subject to the limitations described in this paragraph 4.8(vi), the continued coverage of Executive and Executive's eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability). Such coverage shall be offered solely as an alternative to any COBRA continuation coverage applicable to any group health plan otherwise available to Executive (and each of Executive's dependents, if any) within the meaning of ERISA sections 601 through 608. Further, any such coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Such coverage shall be provided by Company at no greater contribution, deductible or co-pay cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment. The coverage described in this paragraph 4.8(vi) (or the receipt of equivalent benefits) shall be provided to Executive under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(vii) "CO System" shall mean (1) flights operated by Company or any of its affiliates or any successor or successors thereto and (2) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Executive and subject to clause (2), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers;

(viii) "Eligible Family Members" means, with respect to each annual benefit year, Executive's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then, following such termination of employment, an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 4.8(ix)(2)(a) is taxable;

(ix) "Flight Benefits" shall (1) for the period from the Effective Date through December 31, 2007, have the meaning and shall be determined, provided and construed in accordance with the terms and conditions set forth in the Existing Agreement, and (2) for calendar year 2008 and beyond (to the extent Executive is

entitled to such benefits under the terms of this Agreement), mean flight benefits on each airline in the CO System consisting of the following (and such flight benefits shall be provided and construed in accordance with the terms and conditions set forth in paragraphs 4.7 and 4.8):

(a) highest priority space available flight passes, including appropriate flight pass identification cards, for Executive and Executive's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Executive's name for charging (subject to the restrictions set forth in paragraph 4.7(ii)) the purchase of tickets on the CO System (in any fare class) for travel by Executive, Executive's spouse, Executive's family and significant others as determined by Executive. The UATP card may be used up to the amount of any Grandfathered Flight Benefits and, on an annual, calendar-year basis, up to the Annual Travel Limit;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names, such cards to be lifetime membership cards;

(d) a membership for Executive and Executive's spouse and children in Company's Presidents Club (or any successor program), such memberships to be lifetime memberships (subject to the terms and conditions of membership, including minimum age requirements);

(e) payment by Company to Executive of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Executive as a result of Executive's service as an employee of Company, and any payment by Company to Executive pursuant to this paragraph 4.8(ix)(2)(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted); and

(f) the Grandfathered Flight Benefits (including the use of the UATP card with respect thereto);

(x) "Grandfathered Flight Benefits" shall mean Executive's accrued but unused "Annual Travel Limit" (up to a maximum of \$100,000) and "Annual Gross Up Limit" as determined pursuant to the terms of the Existing Agreement and as reflected on the records of Company as of December 31, 2007 (which amounts represent or are less than (1) Executive's balances as of December 31, 2004 that were earned and vested as of such date, plus (2) additions to such balances for the period from January 1, 2005 through December 31, 2007 (the right to which were earned and vested as of December 31, 2004), reduced by (3) the portion of such balances used by Executive on or before December 31, 2007), which Company and Executive believe are "grandfathered" under Section 409A of the Code. Grandfathered Flight Benefits shall not include any portion of the annual Flight Benefits provided to Executive for a calendar year beginning after December 31, 2007, and shall be reduced when and to the extent used by Executive pursuant to the terms of paragraph 4.7;

(xi) "Outplacement and Related Services" shall mean (1) outplacement services, at Company's cost and for a period of 12 months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors or the HR Committee (with such approval not to be unreasonably withheld), and (2) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of Executive's position, to the extent then available for use by Executive, for a period of three years beginning on the date of Executive's termination of employment or a shorter period if such perquisites become unavailable to Company for use by Executive;

(xii) "Severance Period" shall mean:

(1) in the case of a termination of Executive's employment with Company that occurs within two years after the date upon which a Change in Control occurs, a period commencing on the date of such termination and continuing for 36 months; or

(2) in the case of a termination of Executive's employment with Company that occurs prior to a Change in Control or after the date which is two years after a Change in Control occurs, a period commencing on the date of such termination and continuing for 24 months; and

(xiii) "Termination Payment" shall mean an amount equal to Executive's Annualized Compensation multiplied by a fraction, the numerator of which is the number of months in the Severance Period and the denominator of which is 12.

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to Executive should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence. Any reimbursement of attorneys' fees and disbursements required under this paragraph 5.1 and any reimbursement of costs and expenses required under paragraph 3.6(ii) or paragraph 4.4 shall be made by Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to Company (but in any event not later than the close of Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by Executive); provided, however, that, upon Executive's termination of employment with Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code; provided that interest at the rate specified above in this Section 5.1 shall

be paid to Executive with respect to any time period that reimbursement is so delayed and such interest shall be paid at the same time as the reimbursement. In no event shall any reimbursement be made to Executive for such fees, disbursements, costs and expenses incurred after the later of (1) the tenth anniversary of the date of Executive's death or (2) the date that is ten years after the date of Executive's termination of employment with Company.

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

If to Company: Continental Airlines, Inc.

1600 Smith, Dept. HOSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive: At the most recent address on file with Company.

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

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

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

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

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

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

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

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

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

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

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.6(iv) and any awards under Company's stock incentive plans or programs, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, (ii) the Existing Compensation Reduction Agreement, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement (but not the Existing Compensation Reduction Agreement) shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder; provided, however, that the provisions of the Existing Agreement relating to the provision of Flight Benefits shall survive through December 31, 2007. The Existing Compensation Reduction Agreement shall continue to apply after the Effective Date. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

5.14 No Solicitation. During Executive's employment hereunder and for a period of two years following the date of Executive's termination of employment, Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of Company or any of its subsidiaries to perform services for any entity (other than Company or its subsidiaries), or attempt to induce any such employee to leave the employ of Company or its subsidiaries.

5.15 Confidentiality. During Executive's employment hereunder and thereafter, Executive shall hold in strict confidence any Proprietary or Confidential Information related to Company or its subsidiaries, except that Executive may disclose such information as required by law, court order, regulation or similar order. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all information relating to Company, its

subsidiaries or affiliates (such as business plans, trade secrets, or financial information of strategic importance to Company or its subsidiaries or affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Company and the disclosure of which would be harmful to the business prospects, financial status or reputation of Company or its subsidiaries or affiliates at the time of any disclosure by Executive.

5.16 Injunctive Relief. Executive hereby agrees that it is impossible to measure in money the damages which will accrue to Company by reason of a failure by Executive to perform any of Executive's obligations under paragraphs 5.14 and 5.15. Accordingly, if Company or any of its affiliates institutes any action or proceeding to enforce paragraphs 5.14 or 5.15, to the extent permitted by applicable law, Executive hereby waives the claim or defense that Company or its affiliates has an adequate remedy at law, and Executive shall not urge in any such action or proceeding the claim or defense that any such remedy at law exists.

5.17 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date (and, at that time, Executive shall also receive interest thereon from the date such payment or benefit would have been provided in the absence of this paragraph until the date of receipt of such payment or benefit at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)). Upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon) required to be deferred in payment to Executive pursuant to the preceding sentence. This paragraph shall not apply to any payment or benefit otherwise described in the first sentence of this paragraph if another provision of this Agreement is intended to cause Executive's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

[Signatures begin on following page.]

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

CONTINENTAL AIRLINES, INC.

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By: /s/ Jennifer L. Vogel

Name: Jennifer L. Vogel

Title: Senior Vice President,

General Counsel, Secretary
and Chief Compliance Officer

"EXECUTIVE"

-

/s/ James Compton

JAMES COMPTON

APPROVED:

/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

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EXHIBIT A

TO

EMPLOYMENT AGREEMENT

Form of Release Agreement

(to be executed by Company and Executive).

In consideration of the benefits provided by Company to Executive, Executive hereby releases Continental Airlines, Inc. ("Continental") and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's

employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach by Continental of (i) its post-employment obligations under that certain Employment Agreement dated as of October 15, 2007 between Continental and Executive (the "Employment Agreement"), (ii) its obligations under the Continental Retirement Plan ("CARP"), under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Continental Airlines, Inc. Annual Executive Bonus Program (the "Annual Bonus Program"), the NLTIP/RSU Program, or under any other compensation plan or program of Continental (such as capitalized but undefined terms having the meanings attributed to them in the Employment Agreement), or (iii) its obligations under existing agreements governing Executive's flight benefits relating to other airlines. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance or claims arising from a breach by Executive of the Employment Agreement or of Executive's obligations under the CARE, under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Annual Executive Bonus Program or the NLTIP/RSU Program, under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines. These releases are to be broadly construed in favor of the released persons. These releases do not apply to any rights or claims that may arise after the date of execution of this Release Agreement by Executive and Continental. Both parties agree that this Release Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party. Notwithstanding the foregoing, the post-employment obligations created by the Employment Agreement, the CARE, Executive's outstanding option grants and grants of restricted stock, outstanding awards under the Annual Executive Bonus Program and the NLTIP/RSU Program, or outstanding awards under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines, are not released.

Executive acknowledges that, by Executive's free and voluntary act of signing below, Executive agrees to all of the terms of this Release Agreement and intends to be legally bound thereby.

Executive acknowledges that Executive has received a copy of this Release Agreement on [date that Executive receives Release Agreement]. Executive understands that Executive may consider whether to agree to the terms contained herein for a period of [twenty-one] [forty-five] days after the date Executive has received this Release Agreement. Accordingly, Executive may execute this Release Agreement by [date [21] [45] days after Release Agreement is given to Executive], to acknowledge Executive's understanding of and agreement with the foregoing. [Add if 45 days applies: Executive acknowledges that attached to this Release Agreement are (i) a list of the positions and ages of those employees selected for termination (or participation in the exit incentive or other employment termination program) and (ii) a list of the ages of those employees not selected for termination (or participation in such program).] Executive acknowledges that Executive has been and is hereby advised to consult with an attorney prior to executing this Release Agreement.

This Release Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Executive (the "Effective Date"). During the seven-day period prior to the Effective Date, Executive may revoke Executive's agreement to accept the terms hereof by serving written notice in accordance with Section 5.2 of the Employment Agreement to Company of Executive's intention to revoke. However, the Termination Payment provided for in the Employment Agreement will be delayed until the Effective Date.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and JEFFREY J. MISNER ("Executive"), and is dated and effective as of October 15, 2007 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of August 12, 2004 (the "Existing Agreement"), as amended by that certain Compensation Reduction Agreement between Company and Executive dated December 22, 2004, and that certain Amendment to Compensation Reduction Agreement between Company and Executive dated February 15, 2005 (the Compensation Reduction Agreement and the Amendment to Compensation Reduction Agreement being referred to herein collectively as the "Existing Compensation Reduction Agreement"); and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), has made it necessary to amend the Existing Agreement in certain respects, and, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date; and

WHEREAS, the parties are not amending or replacing the Existing Compensation Reduction Agreement, which shall remain in full force and effect, and shall be deemed to apply to and reduce certain awards as provided therein; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company (the "HR Committee") has authorized the execution, delivery and performance by Company of this Agreement;

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 Positions. Company shall employ Executive in the position of Executive Vice President and Chief Financial Officer of Company, or in such other positions as the parties may agree. Neither the Board of Directors of Company (the "Board of Directors") nor any other officer or representative of Company shall assign to Executive any duties materially inconsistent with the duties associated with the positions described in this paragraph 1.2 as such duties are constituted as of the Effective Date.

1.3 Duties and Services. Executive agrees to serve in the officer positions referred to in paragraph 1.2 and to perform diligently and to the best of Executive's abilities the duties and services appertaining to such office or offices as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such offices that the parties may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on August 12, 2008 (the "Initial Term"). Said term of employment shall be extended automatically for a successive one-year period as of the last day of the Initial Term and as of the last day of each successive one-year period of time thereafter that this Agreement is in effect (each such successive one-year extended term being referred to herein as an "Extended Term"); provided, however, that if, prior to the date which is six months before the last day of the Initial Term or any such Extended Term, as applicable, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the Initial Term or Extended Term, as applicable, during which such notice is given.

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

(i) upon Executive's death;

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

(iii) Executive's gross negligence or willful misconduct in the performance of, or Executive's abuse of alcohol or drugs rendering Executive unable to perform, the material duties and services required of Executive pursuant to this Agreement;

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

(v) upon Executive committing an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at Company's expense;

(vi) upon Executive's material breach of a material obligation of Executive under this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Company to Executive; or

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

For purposes of this Agreement, if Executive's employment is terminated by Company pursuant to clauses (i), (ii), (iii), (iv), (v) or (vi) above, then such termination shall be for "Cause", and if Executive's employment is terminated by Company pursuant to clause (vii) above, then such termination shall be "without Cause."

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

(i) a material diminution in Executive's authority, duties, or responsibilities from those applicable to Executive as of the Effective Date, including a change in the reporting structure so that Executive reports other than to the Chief Executive Officer or President of Company;

(ii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement shall mean Company requiring Executive to be permanently based more than 50 miles outside the city limits of Houston, Texas;

(iii) a material diminution in Executive's base salary;

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, paragraphs 1.2, 3.2, or 3.7 of this Agreement); or

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

For purposes of this Agreement, Executive's employment by Company will be considered to have been terminated by Executive for "Good Reason" if such termination of employment is by Executive for a reason encompassed by paragraphs 2.3(i), (ii), (iii), or (iv). Further, notwithstanding the foregoing provisions of this paragraph 2.3 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for Good Reason shall not be effective unless all of the following conditions are satisfied: (1) the condition described in paragraphs 2.3(i), (ii), (iii), or (iv) giving rise to Executive's termination of employment must have arisen without Executive's written consent; (2) Executive must provide written notice to Company of such condition in accordance with paragraph 5.2 within 90 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within 180 days after the initial existence of the condition specified in such notice.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or Executive shall do so by giving written notice to the other party in accordance with paragraph 5.2 that it or Executive has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

2.5 Certain Determinations under Section 409A of the Code. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if Executive will no longer serve as an officer of Company) of the average level of bona fide services provided in the immediately preceding 36 months. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$367,200 or (ii) such amount as the parties may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

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

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.8, and based on a Severance Period (as such term is defined in paragraph 4.8) of 36 months). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment (based on a Severance Period of 36 months), and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive on or as soon as practicable following the day on which the tax with respect to such income is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted) an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries within 30 days after the date of Executive's death an amount equal to the sum of (1) the difference between the Termination Payment (based on a Severance Period of 36 months) and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit")

shall be an annual amount (that is payable as a monthly straight life annuity) equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 26 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of years (including partial years) beginning January 1, 2001, through the end of Executive's period of employment with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") with respect to credited service ("Actual Years of Service"), (2) an additional year of service for each one year of service credit ed to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2001 and ending on December 31, 2006, and (3) if the Termination Payment becomes payable to Executive under this Agreement or if Executive's employment is terminated for a reason encompassed by paragraphs 2.2(i) or 2.2(ii), an additional three years of service. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$450,000 or (B) the average of the five highest annual cash compensation amounts paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of Company), but shall exclude (i) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, (ii) any Termination Payment paid to Executive under this Agreement, (iii) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (iv) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company (including RSUs awarded under Company's Long Term Incentive and RSU Program), and (v) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

(ii) Offset for CARP or Other Benefit. Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of a monthly straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time of payment.

(iii) Normal Retirement Benefits. Executive's benefit under the Plan shall be paid only in a lump sum payment in an amount that is the actuarial equivalent, based on the actuarial assumptions set forth in paragraph 3.5(vii), of the Base Benefit for the life of Executive paying equal monthly installments beginning on the Retirement Date (the "Normal Retirement Benefit"). The portion of the Normal Retirement Benefit equal to the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date. The portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date or, if later and if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, on or within five business days after the Section 409A Payment Date. If the Section 409A Payment Date is after the Retirement Date, then payment of the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit (with interest on such portion of the benefit from the Retirement Date to the actual date of payment at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)) shall be paid by Company to Executive (or, in the event of Executive's death, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date. For purposes hereof: (a) "Beneficiary" is defined as (1) Executive's surviving spouse, if Executive is married on the date of Executive's death, or (2) Executive's estate, if Executive is not married on the date of Executive's death; (b) "Grandfathered Benefit" is defined in paragraph 3.5(ix); (c) "Retirement Date" is defined as the first day of the month coincident with or next following the later of (1) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (2) the date of Executive's retirement from employment with Company; and (d) "Section 409A Payment Date" is defined as the earlier of (1) the date of Executive's death or (2) the date which is six months after the date of termination of Executive's employment with Company.

(iv) Early Retirement Benefits. Notwithstanding the provisions of paragraph 3.5(iii), if Executive's employment with Company is terminated, for a reason other than death, on or after the date Executive attains age 55 or is credited with 10 Actual Years of Service and prior to the Retirement Date, then Company shall pay Executive the Normal Retirement Benefit on or within five business days following the first day of the month coinciding with or next following Executive's termination of employment (the "Earliest ERB Payment Date") or, if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, Company shall pay Executive the portion of the Normal Retirement Benefit equal to the Grandfathered Benefit on or within five business days following the Earliest ERB Payment Date and Company shall pay Executive the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit on or within five business days after the Section 409A Payment Date (an "Early Retirement Benefit"); provided, however, that the amount of the benefit shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined as if payment would be made on the Earliest ERB Payment Date) to be the actuarial equivalent of the value of the Normal Retirement Benefit (based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for such time of payment). If payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code as provided in the preceding sentence, then payment of such portion of the Early Retirement Benefit (with interest on such portion of the benefit from the Earliest ERB Payment Date to the actual date of payment at the Aa Corporate Bond Rate) shall be paid by Company to Executive (or, in the event of Executive's death after the Earliest ERB Payment Date, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date.

(v) Death Benefit. Except (a) as provided in paragraph 3.5(iii) with respect to the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit if the Section 409A Payment Date is after the Retirement Date, (b) as provided in paragraph 3.5(iv) if the payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, and (c) as provided in the remaining provisions of this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit is paid pursuant to paragraphs 3.5(iii) or 3.5(iv), as applicable. In the event of Executive's death prior to payment of Executive's benefit pursuant to paragraphs 3.5(iii) or 3.5(iv) (other than under the circumstances and with respect to the portion of the benefit described in clauses (a) or (b) of the preceding sentence, in which case the benefits described in paragraphs 3.5(iii) or 3.5(iv), as applicable, shall be paid in full), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a death benefit payable only as a lump sum payment in an amount that is the actuarial equivalent of a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive been entitled to

elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Such benefit shall be paid on or within 10 business days following the first day of the month coincident with or next following the date of Executive's death; provided, however, that if Executive dies prior to reaching age 60, then the amount of such benefit shall be reduced based on the principles used for the reductions described in the proviso to the first sentence of paragraph 3.5(iv).

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Code and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that Executive must rely upon the general credit of Company for payment of benefits under the Plan. Company has established a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded; provided, however, that (a) to the extent that the payment of any amount due under this paragraph 3.5 is or may be delayed by reason of Section 409A(a)(2)(B)(i) of the Code, Company shall, on or as soon as practicable after the date of Executive's termination of employment with Company, contribute to the trust the amount necessary to assure that the trust has sufficient funds to pay on the Section 409A Payment Date the amount payable pursuant to this paragraph 3.5 (including any interest provided for in this paragraph 3.5 based on the assumption that payment will be delayed for six months), and (b) notwithstanding the foregoing, in no event shall money and/or property be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent" or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to Executive's spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining lump sum benefits payable under the CARP; provided, however, that with respect to the discount rate used to calculate benefits under the Plan, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date Executive (or, in the case of Executive's death, Executive's spouse) is to receive the lump sum payment (determined without regard to any delay in such payment that may be required by reason of Section 409A(a)(2)(B)(i) of the Code), as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable lump sum payment for Executive (or, in the case of Executive's death, Executive's spouse) and shall deliver such information to Executive or such spouse.

(viii) Medicare Payroll Taxes. Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan. Any payment by Company to Executive pursuant to this paragraph 3.5(viii) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted).

(ix) Section 409A Grandfathered Benefit. For purposes hereof, "Grandfathered Benefit" means the present value of the amount to which Executive would have been entitled under the Plan (based on the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004) if Executive had voluntarily terminated employment with Company without cause on December 31, 2004, and received a payment of the benefits available from the Plan on the earliest possible date allowed under the Plan to receive a payment of benefits following such termination of employment; provided, however, that (a) for any taxable year of Executive after 2004, the Grandfathered Benefit shall increase to equal the present value of the benefit Executive actually becomes entitled to, in the form and at the time actually paid, determined under the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004, without regard to (1) any services rendered by Executive after December 31, 2004, or (2) any other events affecting the amount of or the entitlement to benefits, and (b) in no event shall the Grandfathered Benefit be greater than the maximum grandfathered benefit permitted with respect to the Plan determined under the provisions of Section 409A of the Code (and the administrative guidance thereunder that is applicable to the determination of amounts deferred under a nonaccount balance plan prior to January 1, 2005, and the earnings thereon, including Treasury regulation Section 1.409A-6(a)(3)(i) and (iv)). For purposes of making any present value calculations required in accordance with this paragraph 3.5(ix) as of December 31, 2004, or any other date the benefit is valued for purposes of determining the Grandfathered Benefit, the actuarial assumptions and methods that were used under the Plan as of December 31, 2004, pursuant to the terms of the Existing Agreement shall be used. Specifically, such actuarial assumptions as of December 31, 2004 were the 1994 Group Annuity Mortality Table (as prescribed in Section 417(e) of the Code as of that date) and 5.76% (the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds, published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding December 31, 2004).

3.6 Other Perquisites. During Executive's employment hereunder, Executive shall be afforded the following benefits as incidences of Executive's employment:

(i) Automobile - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on terms at least as favorable to Executive as provided in the applicable policy adopted by the HR Committee that is in effect as of the Effective Date.

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

(iii) Parking - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice in a location that is the same as or equivalent to that regularly used by Company's senior executives.

(iv) Other Company Benefits - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits (as such term is defined in paragraph 4.8) and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without Executive's prior written consent.

3.7 Corporate Amenities. During the period of this Agreement, Company shall take no action that materially reduces the corporate amenities enjoyed by Executive below the level of corporate amenities enjoyed by any other executive of Company other than Company's Chief Executive Officer and President.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of Executive's employment, except that (A) (i) the benefits described in paragraph 3.5 shall continue to be payable, (ii) Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, and the death benefit rights shall be provided as described in paragraphs 4.7 and 4.8, (iii) Executive and Executive's eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.8) for the remainder of Executive's lifetime, (iv) Executive shall be paid on the effective date of such termination for Executive's accrued and unused vacation benefits up to a maximum of four weeks, (v) any amounts reimbursable but unpaid to Executive at the date of such termination shall be reimbursed to Executive pursuant to the provisions of paragraph 3.7 and any amounts owed but unpaid to Executive under any plan, policy or program of Company (other than Company's vacation policy, which is addressed in clause (iv) above) as of the date of termination shall be paid to Executive at the time and to the extent provided by, and in accordance with the terms of, such plan, policy or program and this Agreement, and (vi) Executive shall be provided with a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, in a location that is the same or equivalent to that regularly used by Company's senior executives, at Company's cost and for Executive's lifetime as long as Executive retains a residence in Houston, Texas (provided, however, that to the extent the benefit described in this clause (A)(vi) and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period), and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (ii) if such termination occurs prior to the date upon which a Change in Control (as such term is defined in paragraph 4.8) occurs, pay to Executive, at the same time as Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program") (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iii) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive, within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iv) pay Executive on the effective date of such termination a lump sum, cash payment in an amount equal to the Termination Payment (provided, however, that if the payment of the Termination Payment would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount shall be paid within five business days after the Section 409A Payment Date), and (v) provide Executive with Incidental Perquisites (as such term is defined in paragraph 4.8 and for the time periods described therein; provided, however, that to the extent the Incidental Perquisites and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payment not later than the fifth day following the expiration of such six-month period). Capitalized terms used in clauses (ii) and (iii) of the

preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date. If the payment of the Termination Payment is delayed as provided in the parenthetical set forth in clause (B)(iv) of the first sentence of this paragraph, then (1) interest on such delayed payment for the period beginning on the date of Executive's termination of employment and ending on the date of the payment of the Termination Payment at the Aa Corporate Bond Rate (as determined as provided in clause (B)(v) of the first sentence of this paragraph) shall also be paid by Company to Executive at the time of the payment of the Termination Payment, and (2) Company shall, on or as soon as practicable after the date of Executive's termination of employment, contribute cash in an amount equal to the Termination Payment plus the interest described in clause (1) of this sentence (based on the assumption that the payment will be delayed for six months) to an irrevocable grantor ("rabbi") trust of which Executive is the sole beneficiary and the trustee of which is a nationally-recognized and solvent bank or trust company that is not affiliated with Company (subject to the claims of Company's creditors, as required pursuant to applicable Internal Revenue Service guidance to prevent the imputation of income to Executive prior to distribution from the trust), pursuant to which the Termination Payment plus applicable interest shall be payable from the trust at the time provided herein, provided that (x) to the extent such amount is paid to Executive by Company, the trust shall pay such amount to Company, and (y) in no event shall cash be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1 (except that the parking benefit described in clause (A)(vi) of such sentence shall not be provided if the reason for such termination is encompassed by paragraphs 2.2 (iii), (iv), (v) or (vi)), and:

(i) if such termination shall be without Cause, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (or such longer period as provided for under the circumstances in applicable option awards, but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (2) if such termination occurs prior to the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the NLTIP/RSU Program (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (3) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), and (4) if termination was due to Executive's death, provide Executive's designated beneficiary or beneficiaries with the benefits contemplated under paragraph 3.3. Capitalized terms used in clauses (2) and (3) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1, and, if such termination shall be by Executive for Good Reason, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable).

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Code), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive on or as soon as practicable following the day on which the Excise Tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which the Excise Tax is remitted) an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments; provided, however, that Company's obligation to pay Executive a Gross-up Payment with respect to an Excise Tax relating to Section 409A of the Code is conditioned on Executive having, on and after the Effective Date, cooperated with Company to execute any amendment to the provisions hereof or any other agreement or arrangement reasonably necessary to avoid the imposition of such Excise Tax, but only to the minimum extent necessary to avoid the application of such Excise Tax and only to the extent that Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to Executive, or the benefits otherwise to be provided to Executive, by Company or (ii) any material increase in the risk of Executive not receiving such amounts or benefits, it being agreed that, upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon as so described) proposed to be deferred in payment to Executive under the terms of this proviso. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any

such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against Executive or anyone else; provided that all payments and other obligations under this Article 4 shall be subject to Executive's execution, within 50 days after the date of Executive's termination of employment, of a general release and waiver substantially in the form attached as Exhibit A to this Agreement, which has become irrevocable. Company agrees to execute such form of release and waiver concurrently with the execution thereof by Executive. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.8 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

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

4.7 Flight Benefits.

(i) Scope; Effectiveness. Paragraphs 4.7 and 4.8 set forth the terms and conditions of Flight Benefits provided to Executive effective as of January 1, 2008. Prior to and including December 31, 2007, Executive shall be entitled to Flight Benefits on the terms set forth in the Existing Agreement. Executive's Flight Benefits include Grandfathered Flight Benefits (as such term is defined in paragraph 4.8), which Executive shall retain in accordance with the terms and conditions of this paragraph 4.7 and the other terms of this Agreement. Effective calendar year 2008, the Grandfathered Flight Benefits shall be used in a calendar year only after Executive has used the annual Flight Benefits allotted to Executive for such year and then shall be used in accordance with the terms and conditions of this paragraph 4.7; provided, however, that if Executive would be subject to additional taxes and interest under Section 409A of the Code if Executive's right to use Executive's annual allotment of Flight Benefits is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then, during the six-month period following Executive's termination of employment, Executive shall be able to use (a) first, Executive's Annual Travel Limit and Annual Gross Up Limit (as such terms are defined in paragraph 4.8) that are not part of Executive's Grandfathered Flight Benefits until the time that such benefits used (together with any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during such period) have an aggregate value equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination of employment occurs, and (b) then, Executive's Grandfathered Flight Benefits.

(ii) Restrictions on Use; Consequences of Misuse.

(a) Personal Use Restriction. Executive agrees that the Flight Benefits are to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (as such terms are defined in paragraph 4.8) during any calendar year), and that credit availability on Executive's UATP card may be suspended if (A) such UATP card is used for business purposes other than as described above and (B) after receiving written notice from Company to cease such usage, Executive continues to use Executive's UATP card for such business purposes.

(b) Booking and Ticketing; Accounting; Reimbursement.

(1) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(2) Executive shall be responsible for all charges on Executive's UATP card in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that are not for flights on the CO System. Executive agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Executive's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Executive under the applicable policies of Company for reimbursement of business expenses of officers of Company, or that are for tickets in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that violate the restrictions set forth in this paragraph 4.7, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Executive agrees that the credit availability under Executive's UATP card may be suspended if Executive does not timely reimburse Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits); provided, that, immediately upon Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits), beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card will be restored.

(iii) Imputed Income. The sole cost to Executive of flights on the CO System pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Executive's UATP card, or as otherwise required by law, and reported to Executive as required by applicable law. For purposes of tax reporting of

Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data or as required by law. With respect to any period for which Company is obligated to provide the Annual Gross Up Limit, Executive will provide to Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit Company to calculate accurately the amount to be paid to Executive.

(iv) Section 409A Matters. It is intended that the Flight Benefits program described in this Agreement comply with the limitations and requirements of Section 409A of the Code to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that (a) no such interpretation, amendment or correction shall result in Executive being treated worse than other Company officers in the same or a lower officer category than Executive and (b) Company may not modify or amend the Grandfathered Flight Benefits without Executive's prior written consent.

(v) Additional Survivor Benefits. Upon Executive's death, in addition to the lifetime benefits provided pursuant to paragraphs 4.8(ix)(2)(c) and (d), Executive's surviving spouse and children will be permitted to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Flight Benefits as follows:

(a) the Grandfathered Flight Benefits relating only to Executive's Annual Travel Limit (but only in such amounts as were unused by Executive at the date of Executive's death), which amounts shall be adjusted upon any change in the valuation methodology used by Company for imputed income for U.S. federal income tax purposes from flights so as to preserve a benefit level for purchase of tickets on the CO System at least as favorable as the amount available at the date of Executive's death; and

(b) an additional travel limit that shall be granted annually on January 1 of each calendar year during the ten calendar year period beginning January 1st of the calendar year following Executive's death and ending on December 31st of the year of the tenth anniversary of the Executive's death (such annual survivor benefit amount to be \$15,000), which annual amount shall be adjusted upon any change in the valuation methodology used by Company for imputed income from flights for U.S. federal income tax purposes so as to preserve an annual benefit level for purchase of tickets on the CO System at least as favorable as the benefit in effect on January 1, 2008.

Upon Executive's death, Company shall issue UATP cards in the names of Executive's surviving spouse and children, as applicable. An individual's share of the Grandfathered Flight Benefits described in paragraph 4.7(v)(a) shall be used in a calendar year only after such individual has used his or her share of the annual survivor benefit described in paragraph 4.7(v)(b). In determining any adjustment pursuant to paragraphs 4.7(v)(a) and 4.7(v)(b), Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Executive's surviving spouse and children upon request. Company will provide Executive's surviving spouse and children an annual statement specifying the survivor benefit and any adjustments described in this subparagraph. Any portion of the annual survivor benefit described in paragraph 4.7(v)(b) that remains unused at the end of the calendar year for which it was awarded shall terminate and be of no further use or value. All restrictions, duties and obligations of Executive, and all rights of Company, relating to Executive's usage of Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children who may use such Flight Benefits.

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

(i) "affiliates" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity;

(ii) "Annualized Compensation" shall mean an amount equal to the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 125% of the amount described in the foregoing clause (1);

(iii) "Annual Travel Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Travel Limit and will notify Executive promptly of any adjustments to the Annual Travel Limit described in this subparagraph. Any portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iv) "Annual Gross Up Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of

employment occurred), which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Gross Up Limit and will notify Executive promptly of any adjustments to the Annual Gross Up Limit described in this subparagraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(v) "Change in Control" shall have the same meaning as is assigned to such term under the NLTP/RSU Program as in effect on the Effective Date;

(vi) "Continuation Coverage" shall mean, subject to the limitations described in this paragraph 4.8(vi), the continued coverage of Executive and Executive's eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability). Such coverage shall be offered solely as an alternative to any COBRA continuation coverage applicable to any group health plan otherwise available to Executive (and each of Executive's dependents, if any) within the meaning of ERISA sections 601 through 608. Further, any such coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Such coverage shall be provided by Company at no greater contribution, deductible or co-pay cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment. The coverage described in this paragraph 4.8(vi) (or the receipt of equivalent benefits) shall be provided to Executive under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(vii) "CO System" shall mean (1) flights operated by Company or any of its affiliates or any successor or successors thereto and (2) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Executive and subject to clause (2), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers;

(viii) "Eligible Family Members" means, with respect to each annual benefit year, Executive's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then, following such termination of employment, an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 4.8(ix)(2)(a) is taxable;

(ix) "Flight Benefits" shall (1) for the period from the Effective Date through December 31, 2007, have the meaning and shall be determined, provided and construed in accordance with the terms and conditions set forth in the Existing Agreement, and (2) for calendar year 2008 and beyond (to the extent Executive is entitled to such benefits under the terms of this Agreement), mean flight benefits on each airline in the CO System consisting of the following (and such flight benefits shall be provided and construed in accordance with the terms and conditions set forth in paragraphs 4.7 and 4.8):

(a) highest priority space available flight passes, including appropriate flight pass identification cards, for Executive and Executive's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Executive's name for charging (subject to the restrictions set forth in paragraph 4.7(ii)) the purchase of tickets on the CO System (in any fare class) for travel by Executive, Executive's spouse, Executive's family and significant others as determined by Executive. The UATP card may be used up to the amount of any Grandfathered Flight Benefits and, on an annual, calendar-year basis, up to the Annual Travel Limit;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names, such cards to be lifetime membership cards;

(d) a membership for Executive and Executive's spouse and children in Company's Presidents Club (or any successor program), such memberships to be lifetime memberships (subject to the terms and conditions of membership, including minimum age requirements);

(e) payment by Company to Executive of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Executive as a result of Executive's service as an employee of Company, and any payment by Company to Executive pursuant to this paragraph 4.8(ix)(2)(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted); and

(f) the Grandfathered Flight Benefits (including the use of the UATP card with respect thereto);

(x) "Grandfathered Flight Benefits" shall mean Executive's accrued but unused "Annual Travel Limit" (up to a maximum of \$100,000) and "Annual Gross Up Limit" as determined pursuant to the terms of the Existing Agreement and as reflected on the records of Company as of December 31, 2007 (which amounts represent or are less than (1) Executive's balances as of December 31, 2004 that were earned and vested as of such date, plus (2) additions to such balances for the period from January 1, 2005 through December 31, 2007 (the right to which were earned and vested as of December 31, 2004), reduced by (3) the portion of such balances used by Executive on or before December 31, 2007), which Company and Executive believe are "grandfathered" under

Section 409A of the Code. Grandfathered Flight Benefits shall not include any portion of the annual Flight Benefits provided to Executive for a calendar year beginning after December 31, 2007, and shall be reduced when and to the extent used by Executive pursuant to the terms of paragraph 4.7;

(xi) "Incidental Perquisites" shall mean the incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of Executive's position, to the extent then available for use by Executive, for a period of three years beginning on the date of Executive's termination of employment or a shorter period if such perquisites become unavailable to Company for use by Executive;

(xii) "Severance Period" shall mean:

(1) in the case of a termination of Executive's employment with Company that occurs within two years after the date upon which a Change in Control occurs, a period commencing on the date of such termination and continuing for 36 months; or

(2) in the case of a termination of Executive's employment with Company that occurs prior to a Change in Control or after the date which is two years after a Change in Control occurs, a period commencing on the date of such termination and continuing for 24 months; and

(xiii) "Termination Payment" shall mean an amount equal to Executive's Annualized Compensation multiplied by a fraction, the numerator of which is the number of months in the Severance Period and the denominator of which is 12.

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to Executive should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence. Any reimbursement of attorneys' fees and disbursements required under this paragraph 5.1 and any reimbursement of costs and expenses required under paragraph 3.6(ii) or paragraph 4.4 shall be made by Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to Company (but in any event not later than the close of Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by Executive); provided, however, that, upon Executive's termination of employment with Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code; provided that interest at the rate specified above in this Section 5.1 shall be paid to Executive with respect to any time period that reimbursement is so delayed and such interest shall be paid at the same time as the reimbursement. In no event shall any reimbursement be made to Executive for such fees, disbursements, costs and expenses incurred after the later of (1) the tenth anniversary of the date of Executive's death or (2) the date that is ten years after the date of Executive's termination of employment with Company.

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

If to Company: Continental Airlines, Inc.

1600 Smith, Dept. HOSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive: At the most recent address on file with Company.

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

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

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

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

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

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

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

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

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

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

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.6(iv) and any awards under Company's stock incentive plans or programs, Annual Executive Bonus Program, NLTP/RSU Program or similar plans or programs, (ii) the Existing Compensation Reduction Agreement, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement (but not the Existing Compensation Reduction Agreement) shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder; provided, however, that the provisions of the Existing Agreement relating to the provision of Flight Benefits shall survive through December 31, 2007. The Existing Compensation Reduction Agreement shall continue to apply after the Effective Date. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

5.14 No Solicitation. During Executive's employment hereunder and for a period of two years following the date of Executive's termination of employment, Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of Company or any of its subsidiaries to perform services for any entity (other than Company or its subsidiaries), or attempt to induce any such employee to leave the employ of Company or its subsidiaries.

5.15 Confidentiality. During Executive's employment hereunder and thereafter, Executive shall hold in strict confidence any Proprietary or Confidential Information related to Company or its subsidiaries, except that Executive may disclose such information as required by law, court order, regulation or similar order. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all information relating to Company, its subsidiaries or affiliates (such as business plans, trade secrets, or financial information of strategic importance to Company or its subsidiaries or affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Company and the disclosure of which would be harmful to the business prospects, financial status or reputation of Company or its subsidiaries or affiliates at the time of any disclosure by Executive.

5.16 Injunctive Relief. Executive hereby agrees that it is impossible to measure in money the damages which will accrue to Company by reason of a failure by Executive to perform any of Executive's obligations under paragraphs 5.14 and 5.15. Accordingly, if Company or any of its affiliates institutes any action or proceeding to enforce paragraphs 5.14 or 5.15, to the extent permitted by applicable law, Executive hereby waives the claim or defense that Company or its affiliates has an adequate remedy at law, and Executive shall not urge in any such action or proceeding the claim or defense that any such remedy at law exists.

5.17 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date (and, at that time, Executive shall also receive interest thereon from the date such payment or benefit would have been provided in the absence of this paragraph until the date of receipt of such payment or benefit at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)). Upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon) required to be deferred in payment to Executive pursuant to the preceding sentence. This paragraph shall not apply to any payment or benefit otherwise described in the first sentence of this paragraph if another provision of this Agreement is intended to cause Executive's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

[Signatures begin on following page.]

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

CONTINENTAL AIRLINES, INC.

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By: /s/ Jennifer L. Vogel _____

Name: Jennifer L. Vogel

Title: Senior Vice President,

General Counsel, Secretary

"EXECUTIVE"

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/s/ Jeffrey J. Misner

JEFFREY J. MISNER

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APPROVED:

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/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

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EXHIBIT A

TO

EMPLOYMENT AGREEMENT

Form of Release Agreement

(to be executed by Company and Executive).

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In consideration of the benefits provided by Company to Executive, Executive hereby releases Continental Airlines, Inc. ("Continental") and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach by Continental of (i) its post-employment obligations under that certain Employment Agreement dated as of October 15, 2007 between Continental and Executive (the "Employment Agreement"), (ii) its obligations under the Continental Retirement Plan ("CARP"), under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Continental Airlines, Inc. Annual Executive Bonus Program (the "Annual Bonus Program"), the NLTIP/RSU Program, or under any other compensation plan or program of Continental (such capitalized but undefined terms having the meanings attributed to them in the Employment Agreement), or (iii) its obligations under existing agreements governing Executive's flight benefits relating to other airlines. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance or claims arising from a breach by Executive of the Employment Agreement or of Executive's obligations under the CARP, under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Annual Executive Bonus Program or the NLTIP/RSU Program, under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines. These releases are to be broadly construed in favor of the released persons. These releases do not apply to any rights or claims that may arise after the date of execution of this Release Agreement by Executive and Continental. Both parties agree that this Release Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party. Notwithstanding the foregoing, the post-employment obligations created by the Employment Agreement, the CARP, Executive's outstanding option grants and grants of restricted stock, outstanding awards under the Annual Executive Bonus Program and the NLTIP/RSU Program, or outstanding awards under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines, are not released.

Executive acknowledges that, by Executive's free and voluntary act of signing below, Executive agrees to all of the terms of this Release Agreement and intends to be legally bound thereby.

Executive acknowledges that Executive has received a copy of this Release Agreement on [date that Executive receives Release Agreement]. Executive understands that Executive may consider whether to agree to the terms contained herein for a period of [twenty-one] [forty-five] days after the date Executive has received this Release Agreement. Accordingly, Executive may execute this Release Agreement by [date [21] [45] days after Release Agreement is given to Executive], to acknowledge Executive's understanding of and agreement with the foregoing. [Add if 45 days applies: Executive acknowledges that attached to this Release Agreement are (i) a list of the positions and ages of those employees selected for termination (or participation in the exit incentive or other employment termination program) and (ii) a list of the ages of those employees not selected for termination (or participation in such program).] Executive acknowledges that Executive has been and is hereby advised to consult with an attorney prior to executing this Release Agreement.

This Release Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Executive (the "Effective Date"). During the seven-day period prior to the Effective Date,

Executive may revoke Executive's agreement to accept the terms hereof by serving written notice in accordance with Section 5.2 of the Employment Agreement to Company of Executive's intention to revoke. However, the Termination Payment provided for in the Employment Agreement will be delayed until the Effective Date.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company" or "Continental"), and MARK J. MORAN ("Executive"), and is dated and effective as of October 15, 2007 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Employment Agreement dated as of August 12, 2004 (the "Existing Agreement"), as amended by that certain Compensation Reduction Agreement between Company and Executive dated December 22, 2004, and that certain Amendment to Compensation Reduction Agreement between Company and Executive dated February 15, 2005 (the Compensation Reduction Agreement and the Amendment to Compensation Reduction Agreement being referred to herein collectively as the "Existing Compensation Reduction Agreement"); and

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), has made it necessary to amend the Existing Agreement in certain respects, and, in connection therewith, the parties desire to enter into this Agreement to replace and supersede the Existing Agreement in its entirety, effective as of the Effective Date; and

WHEREAS, the parties are not amending or replacing the Existing Compensation Reduction Agreement, which shall remain in full force and effect, and shall be deemed to apply to and reduce certain awards as provided therein; and

WHEREAS, the Human Resources Committee of the Board of Directors of Company (the "HR Committee") has authorized the execution, delivery and performance by Company of this Agreement;

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

ARTICLE 1: EMPLOYMENT AND DUTIES

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

1.2 Positions. Company shall employ Executive in the position of Executive Vice President Operations of Company, or in such other positions as the parties may agree. Neither the Board of Directors of Company (the "Board of Directors") nor any other officer or representative of Company shall assign to Executive any duties materially inconsistent with the duties associated with the positions described in this paragraph 1.2 as such duties are constituted as of the Effective Date.

1.3 Duties and Services. Executive agrees to serve in the officer positions referred to in paragraph 1.2 and to perform diligently and to the best of Executive's abilities the duties and services appertaining to such office or offices as set forth in the Bylaws of Company in effect on the Effective Date, as well as such additional duties and services appropriate to such offices that the parties may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive for the period beginning on the Effective Date and ending on August 12, 2008 (the "Initial Term"). Said term of employment shall be extended automatically for a successive one-year period as of the last day of the Initial Term and as of the last day of each successive one-year period of time thereafter that this Agreement is in effect (each such successive one-year extended term being referred to herein as an "Extended Term"); provided, however, that if, prior to the date which is six months before the last day of the Initial Term or any such Extended Term, as applicable, either party shall give written notice to the other that no such automatic extension shall occur, then Executive's employment shall terminate on the last day of the Initial Term or Extended Term, as applicable, during which such notice is given.

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

(i) upon Executive's death;

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

(iii) Executive's gross negligence or willful misconduct in the performance of, or Executive's abuse of alcohol or drugs rendering Executive unable to perform, the material duties and services required of Executive pursuant to this Agreement;

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

(v) upon Executive committing an act of deceit or fraud intended to result in personal and unauthorized enrichment of Executive at Company's expense;

(vi) upon Executive's material breach of a material obligation of Executive under this Agreement which, if correctable, remains uncorrected for 30 days following written notice of such breach by Company to Executive; or

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

For purposes of this Agreement, if Executive's employment is terminated by Company pursuant to clauses (i), (ii), (iii), (iv), (v) or (vi) above, then such termination shall be for "Cause", and if Executive's employment is terminated by Company pursuant to clause (vii) above, then such termination shall be "without Cause."

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

(i) a material diminution in Executive's authority, duties, or responsibilities from those applicable to Executive as of the Effective Date, including a change in the reporting structure so that Executive reports other than to the Chief Executive Officer or President of Company;

(ii) a material change in the geographic location at which Executive must perform services, which for purposes of this Agreement shall mean Company requiring Executive to be permanently based more than 50 miles outside the city limits of Houston, Texas;

(iii) a material diminution in Executive's base salary;

(iv) a material breach by Company of any provision of this Agreement (including, without limitation, paragraphs 1.2, 3.2, or 3.7 of this Agreement); or

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

For purposes of this Agreement, Executive's employment by Company will be considered to have been terminated by Executive for "Good Reason" if such termination of employment is by Executive for a reason encompassed by paragraphs 2.3(i), (ii), (iii), or (iv). Further, notwithstanding the foregoing provisions of this paragraph 2.3 or any other provision in this Agreement to the contrary, any assertion by Executive of a termination of employment for Good Reason shall not be effective unless all of the following conditions are satisfied: (1) the condition described in paragraphs 2.3(i), (ii), (iii), or (iv) giving rise to Executive's termination of employment must have arisen without Executive's written consent; (2) Executive must provide written notice to Company of such condition in accordance with paragraph 5.2 within 90 days of the initial existence of the condition; (3) the condition specified in such notice must remain uncorrected for 30 days after receipt of such notice by Company; and (4) the date of Executive's termination of employment must occur within 180 days after the initial existence of the condition specified in such notice.

2.4 Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time prior to expiration of the term of employment as provided in paragraph 2.1, it or Executive shall do so by giving written notice to the other party in accordance with paragraph 5.2 that it or Executive has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination, provided that no such action shall alter or amend any other provisions hereof or rights arising hereunder.

2.5 Certain Determinations under Section 409A of the Code. For all purposes of this Agreement, Executive shall be considered to have terminated employment with Company when Executive incurs a "separation from service" with Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if Executive will no longer serve as an officer of Company) of the average level of bona fide services provided in the immediately preceding 36 months. Executive hereby agrees to be bound by Company's determination of its "specified employees" (as such term is defined in Section 409A of the Code) provided such determination is in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code.

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$367,200 or (ii) such amount as the parties may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

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

3.3 Life Insurance. During the period of this Agreement, Company shall maintain one or more policies of life insurance on the life of Executive providing an aggregate death benefit in an amount not less than the Termination Payment (as such term is defined in paragraph 4.8, and based on a Severance Period (as such term is defined in paragraph 4.8) of 36 months). Executive shall have the right to designate the beneficiary or beneficiaries of the death benefit payable pursuant to such policy or policies up to an aggregate death benefit in an amount equal to the Termination Payment (based on a Severance Period of 36 months), and may transfer ownership of such policy or policies (and any rights of Executive under this paragraph 3.3) to any life insurance trust, family trust or other trust. To the extent that Company's purchase of, or payment of premiums with respect to, such policy or policies results in compensation income to Executive, Company shall pay to Executive on or as soon as practicable following the day on which the tax with respect to such income is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted) an additional payment (the "Policy Payment") in an amount such that after payment by Executive of all taxes imposed on Executive with respect to the Policy Payment, Executive retains an amount of the Policy Payment equal to the taxes imposed upon Executive with respect to such purchase or the payment of such premiums. If for any reason Company fails to maintain the full amount of life insurance coverage required pursuant to the preceding provisions of this paragraph 3.3, Company shall, in the event of the death of Executive while employed by Company, pay Executive's designated beneficiary or beneficiaries within 30 days after the date of Executive's death an amount equal to the sum of (1) the difference between the Termination Payment (based on a Severance Period of 36 months) and any death benefit payable to Executive's designated beneficiary or beneficiaries under the policy or policies maintained by Company and (2) such additional amount as shall be required to hold Executive's estate, heirs, and such beneficiary or beneficiaries harmless from any additional tax liability resulting from the failure by Company to maintain the full amount of such required coverage.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit")

shall be an annual amount (that is payable as a monthly straight life annuity) equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 26 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of years (including partial years) beginning January 1, 2004, through the end of Executive's period of employment with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") with respect to credited service ("Actual Years of Service"), (2) an additional year of service for each one year of service credit ed to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2004 and ending on December 31, 2006, and (3) if the Termination Payment becomes payable to Executive under this Agreement or if Executive's employment is terminated for a reason encompassed by paragraphs 2.2(i) or 2.2(ii), an additional three years of service. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$450,000 or (B) the average of the five highest annual cash compensation amounts paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of Company), but shall exclude (i) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, (ii) any Termination Payment paid to Executive under this Agreement, (iii) any payments received by Executive under Company's Officer Retention and Incentive Award Program, (iv) any proceeds to Executive from any awards under any option, stock incentive or similar plan of Company (including RSUs awarded under Company's Long Term Incentive and RSU Program), and (v) any cash bonus paid under a long term incentive plan or program adopted by Company. Executive shall be vested immediately with respect to benefits due under the Plan.

(ii) Offset for CARP or Other Benefit. Any provisions of the Plan to the contrary notwithstanding, the Base Benefit shall be reduced by the actuarial equivalent (as defined below) of the pension benefit, if any, paid or payable to Executive from the CARP or from any other defined benefit nonqualified supplemental retirement plan provided to Executive by Company. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP or any such other defined benefit nonqualified supplemental retirement plan shall be determined under the provisions of each plan as if payable in the form of a monthly straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time of payment.

(iii) Normal Retirement Benefits. Executive's benefit under the Plan shall be paid only in a lump sum payment in an amount that is the actuarial equivalent, based on the actuarial assumptions set forth in paragraph 3.5(vii), of the Base Benefit for the life of Executive paying equal monthly installments beginning on the Retirement Date (the "Normal Retirement Benefit"). The portion of the Normal Retirement Benefit equal to the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date. The portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit shall be paid to Executive on or within five business days following the Retirement Date or, if later and if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, on or within five business days after the Section 409A Payment Date. If the Section 409A Payment Date is after the Retirement Date, then payment of the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit (with interest on such portion of the benefit from the Retirement Date to the actual date of payment at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)) shall be paid by Company to Executive (or, in the event of Executive's death, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date. For purposes hereof: (a) "Beneficiary" is defined as (1) Executive's surviving spouse, if Executive is married on the date of Executive's death, or (2) Executive's estate, if Executive is not married on the date of Executive's death; (b) "Grandfathered Benefit" is defined in paragraph 3.5(ix); (c) "Retirement Date" is defined as the first day of the month coincident with or next following the later of (1) the date on which Executive attains (or in the event of Executive's earlier death, would have attained) age 60 or (2) the date of Executive's retirement from employment with Company; and (d) "Section 409A Payment Date" is defined as the earlier of (1) the date of Executive's death or (2) the date which is six months after the date of termination of Executive's employment with Company.

(iv) Early Retirement Benefits. Notwithstanding the provisions of paragraph 3.5(iii), if Executive's employment with Company is terminated, for a reason other than death, on or after the date Executive attains age 55 or is credited with 10 Actual Years of Service and prior to the Retirement Date, then Company shall pay Executive the Normal Retirement Benefit on or within five business days following the first day of the month coinciding with or next following Executive's termination of employment (the "Earliest ERB Payment Date") or, if required to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, Company shall pay Executive the portion of the Normal Retirement Benefit equal to the Grandfathered Benefit on or within five business days following the Earliest ERB Payment Date and Company shall pay Executive the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit on or within five business days after the Section 409A Payment Date (an "Early Retirement Benefit"); provided, however, that the amount of the benefit shall be reduced to the extent necessary to cause the value of such Early Retirement Benefit (determined as if payment would be made on the Earliest ERB Payment Date) to be the actuarial equivalent of the value of the Normal Retirement Benefit (based on the actuarial assumptions set forth in paragraph 3.5(vii) and adjusted for such time of payment). If payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code as provided in the preceding sentence, then payment of such portion of the Early Retirement Benefit (with interest on such portion of the benefit from the Earliest ERB Payment Date to the actual date of payment at the Aa Corporate Bond Rate) shall be paid by Company to Executive (or, in the event of Executive's death after the Earliest ERB Payment Date, Executive's Beneficiary) not earlier than but as soon as practicable on, and in any event within five business days after, the Section 409A Payment Date.

(v) Death Benefit. Except (a) as provided in paragraph 3.5(iii) with respect to the portion of the Normal Retirement Benefit in excess of the Grandfathered Benefit if the Section 409A Payment Date is after the Retirement Date, (b) as provided in paragraph 3.5(iv) if the payment of the portion of the Early Retirement Benefit in excess of the Grandfathered Benefit must be delayed beyond the Earliest ERB Payment Date to satisfy the provisions of Section 409A(a)(2)(B)(i) of the Code, and (c) as provided in the remaining provisions of this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit is paid pursuant to paragraphs 3.5(iii) or 3.5(iv), as applicable. In the event of Executive's death prior to payment of Executive's benefit pursuant to paragraphs 3.5(iii) or 3.5(iv) (other than under the circumstances and with respect to the portion of the benefit described in clauses (a) or (b) of the preceding sentence, in which case the benefits described in paragraphs 3.5(iii) or 3.5(iv), as applicable, shall be paid in full), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive a death benefit payable only as a lump sum payment in an amount that is the actuarial equivalent of a single life annuity consisting of monthly payments for the life of such surviving spouse determined as follows: (a) if Executive dies on or before reaching the Retirement Date, the death benefit such spouse would have received had Executive terminated employment on the earlier of Executive's actual date of termination of employment or Executive's date of death, survived until the Retirement Date, been entitled to elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive been entitled to

elect and elected a joint and 50% survivor annuity and begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Such benefit shall be paid on or within 10 business days following the first day of the month coincident with or next following the date of Executive's death; provided, however, that if Executive dies prior to reaching age 60, then the amount of such benefit shall be reduced based on the principles used for the reductions described in the proviso to the first sentence of paragraph 3.5(iv).

(vi) Unfunded Benefit. The Plan is intended to constitute an unfunded, unsecured plan of deferred compensation. Further, it is the intention of Company that the Plan be unfunded for purposes of the Code and Title I of the Employee Retirement Income Security Act of 1974, as amended. The Plan constitutes a mere promise by Company to make benefit payments in the future. Plan benefits hereunder provided are to be paid out of Company's general assets, and Executive shall have the status of, and shall have no better status than, a general unsecured creditor of Company. Executive understands that Executive must rely upon the general credit of Company for payment of benefits under the Plan. Company has established a "rabbi" trust to assist Company in meeting its obligations under the Plan. The trustee of such trust shall be a nationally-recognized and solvent bank or trust company that is not affiliated with Company. Company shall transfer to the trustee money and/or other property determined in the sole discretion of the HR Committee based on the advice of the Actuary (as defined below) on an as-needed basis in order to assure that the benefit payable under the Plan is at all times fully funded; provided, however, that (a) to the extent that the payment of any amount due under this paragraph 3.5 is or may be delayed by reason of Section 409A(a)(2)(B)(i) of the Code, Company shall, on or as soon as practicable after the date of Executive's termination of employment with Company, contribute to the trust the amount necessary to assure that the trust has sufficient funds to pay on the Section 409A Payment Date the amount payable pursuant to this paragraph 3.5 (including any interest provided for in this paragraph 3.5 based on the assumption that payment will be delayed for six months), and (b) notwithstanding the foregoing, in no event shall money and/or property be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code. The trustee shall pay Plan benefits to Executive and/or Executive's spouse out of the trust assets if such benefits are not paid by Company. Company shall remain the owner of all assets in the trust, and the assets shall be subject to the claims of Company creditors in the event (and only in the event) Company ever becomes insolvent. Neither Executive nor any beneficiary of Executive shall have any preferred claim to, any security interest in, or any beneficial ownership interest in any assets of the trust. Company has not and will not in the future set aside assets for security or enter into any other arrangement which will cause the obligation created to be other than a general corporate obligation of Company or will cause Executive to be more than a general creditor of Company.

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent" or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to Executive's spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining lump sum benefits payable under the CARP; provided, however, that with respect to the discount rate used to calculate benefits under the Plan, the discount rate shall be the Aa Corporate Bond Rate. The term "Actuary" shall mean the individual actuary or actuarial firm selected by Company to service its pension plans generally or if no such individual or firm has been selected, an individual actuary or actuarial firm appointed by Company and reasonably satisfactory to Executive and/or Executive's spouse. The term "Aa Corporate Bond Rate" shall mean the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding the date Executive (or, in the case of Executive's death, Executive's spouse) is to receive the lump sum payment (determined without regard to any delay in such payment that may be required by reason of Section 409A(a)(2)(B)(i) of the Code), as determined by the Actuary (or, if such yield information is no longer so published, then the average of the daily corporate bond yields for a comparable sample of Aa-rated corporate bonds of comparable tenor determined in good faith by the Actuary). Upon request, Company shall cause the Actuary to compute the Aa Corporate Bond Rate for a specified period and the amount of the applicable lump sum payment for Executive (or, in the case of Executive's death, Executive's spouse) and shall deliver such information to Executive or such spouse.

(viii) Medicare Payroll Taxes. Company shall indemnify Executive on a fully grossed-up, after-tax basis for any Medicare payroll taxes (plus any income taxes on such indemnity payments) incurred by Executive in connection with the accrual and/or payment of benefits under the Plan. Any payment by Company to Executive pursuant to this paragraph 3.5(viii) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted).

(ix) Section 409A Grandfathered Benefit. For purposes hereof, "Grandfathered Benefit" means the present value of the amount to which Executive would have been entitled under the Plan (based on the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004) if Executive had voluntarily terminated employment with Company without cause on December 31, 2004, and received a payment of the benefits available from the Plan on the earliest possible date allowed under the Plan to receive a payment of benefits following such termination of employment; provided, however, that (a) for any taxable year of Executive after 2004, the Grandfathered Benefit shall increase to equal the present value of the benefit Executive actually becomes entitled to, in the form and at the time actually paid, determined under the terms of the Plan set forth in the Existing Agreement as in effect on October 3, 2004, without regard to (1) any services rendered by Executive after December 31, 2004, or (2) any other events affecting the amount of or the entitlement to benefits, and (b) in no event shall the Grandfathered Benefit be greater than the maximum grandfathered benefit permitted with respect to the Plan determined under the provisions of Section 409A of the Code (and the administrative guidance thereunder that is applicable to the determination of amounts deferred under a nonaccount balance plan prior to January 1, 2005, and the earnings thereon, including Treasury regulation Section 1.409A-6(a)(3)(i) and (iv)). For purposes of making any present value calculations required in accordance with this paragraph 3.5(ix) as of December 31, 2004, or any other date the benefit is valued for purposes of determining the Grandfathered Benefit, the actuarial assumptions and methods that were used under the Plan as of December 31, 2004, pursuant to the terms of the Existing Agreement shall be used. Specifically, such actuarial assumptions as of December 31, 2004 were the 1994 Group Annuity Mortality Table (as prescribed in Section 417(e) of the Code as of that date) and 5.76% (the average of the Moody's daily long-term corporate bond yield averages for Aa-rated corporate bonds, published by Moody's Investors Service, for the three-month period ending on the last day of the second month preceding December 31, 2004).

3.6 Other Perquisites. During Executive's employment hereunder, Executive shall be afforded the following benefits as incidences of Executive's employment:

(i) Automobile - Company will provide an automobile (including replacements therefor) of Executive's choice for Executive's use on terms at least as favorable to Executive as provided in the applicable policy adopted by the HR Committee that is in effect as of the Effective Date. If the automobile is leased, then, except as provided in the following sentence, Company agrees to take such actions as may be necessary to permit Executive, at Executive's option, to acquire title to any automobile subject to such a lease at the

completion of the lease term by Executive paying at such time the residual payment then owing under the lease. If Executive's employment terminates (other than as a result of the reasons encompassed by paragraphs 2.2 (iii), (iv), (v) or (vi)), then:

(1) if the automobile is owned by Company, Company shall (A) transfer title to the automobile to Executive (or Executive's estate, as applicable), without cost to Executive (or Executive's estate), on the Section 409A Payment Date, and (B) to the extent the aggregate value of the use of the automobile and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the period following Executive's termination of employment and preceding the Section 409A Payment Date have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which Executive's termination of employment occurs, Executive shall pay to Company, on a monthly basis until the end of such period, the fair market value of the use of the automobile for such month, and Company shall reimburse Executive or Executive's estate (as applicable) (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payments not later than the fifth day following the date upon which title to the automobile is so transferred; or

(2) if the automobile is leased by Company, Company shall (A) transfer title to the automobile to Executive (or Executive's estate, as applicable), without cost to Executive (or Executive's estate), at the conclusion of the lease term (but in no event prior to the Section 409A Payment Date), and (B) continue to make all payments under the lease and permit Executive (or Executive's estate, as applicable) to use the automobile during the remainder of such lease term or, if later, until the automobile is so transferred to Executive (or Executive's estate, as applicable); provided, however, that to the extent the aggregate value of the use of the automobile and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the period following Executive's termination of employment and preceding the Section 409A Payment Date have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, on a monthly basis until the end of such period, the fair market value of the use of the automobile (but in no event less than the payment required under the lease) for such month, and Company shall reimburse Executive or Executive's estate (as applicable) (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)) for any such payments not later than the fifth day following the end of such period.

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

(iii) Parking - Company shall provide at no expense to Executive a reserved parking place convenient to Executive's headquarters office and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice in a location that is the same as or equivalent to that regularly used by Company's senior executives.

(iv) Other Company Benefits - Executive and, to the extent applicable, Executive's family, dependents and beneficiaries, shall be allowed to participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to similarly situated Company employees. Such benefits, plans and programs may include, without limitation, profit sharing plan, thrift plan, annual physical examinations, health insurance or health care plan, life insurance, disability insurance, pension plan, pass privileges on Continental Airlines, Flight Benefits (as such term is defined in paragraph 4.8) and the like. Company shall not, however, by reason of this paragraph be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any such benefit plan or program, so long as such changes are similarly applicable to executive employees generally; provided, however, that Company shall not change, amend or discontinue Executive's Flight Benefits without Executive's prior written consent.

3.7 Corporate Amenities. During the period of this Agreement, Company shall take no action that materially reduces the corporate amenities enjoyed by Executive below the level of corporate amenities enjoyed by any other executive of Company other than Company's Chief Executive Officer and President.

ARTICLE 4: EFFECT OF TERMINATION ON COMPENSATION

4.1 By Expiration. If Executive's employment hereunder shall terminate upon expiration of the term provided in paragraph 2.1 hereof, then all compensation and all benefits to Executive hereunder shall terminate contemporaneously with termination of Executive's employment, except that (A) (i) the benefits described in paragraph 3.5 shall continue to be payable, (ii) Executive shall be provided Flight Benefits for the remainder of Executive's lifetime, and the death benefit rights shall be provided as described in paragraphs 4.7 and 4.8, (iii) Executive and Executive's eligible dependents shall be provided Continuation Coverage (as such term is defined in paragraph 4.8) for the remainder of Executive's lifetime, (iv) Executive shall be paid on the effective date of such termination for Executive's accrued and unused vacation benefits up to a maximum of four weeks, (v) any amounts reimbursable but unpaid to Executive at the date of such termination shall be reimbursed to Executive pursuant to the provisions of paragraph 3.7 and any amounts owed but unpaid to Executive under any plan, policy or program of Company (other than Company's vacation policy, which is addressed in clause (iv) above) as of the date of termination shall be paid to Executive at the time and to the extent provided by, and in accordance with the terms of, such plan, policy or program and this Agreement, (vi) Company shall perform its obligations with respect to the automobile then used by Executive as provided in subparagraph 3.6(i), and (vii) Executive shall be provided with a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, in a location that is the same or equivalent to that regularly used by Company's senior executives, at Company's cost and for Executive's lifetime as long as Executive retains a residence in Houston, Texas (provided, however, that to the extent the benefit described in this clause (A)(vii) and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such

benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period), and (B) if such termination shall result from Company's delivery of the written notice described in paragraph 2.1, then Company shall (i) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (ii) if such termination occurs prior to the date upon which a Change in Control (as such term is defined in paragraph 4.8) occurs, pay to Executive, at the same time as Payment Amounts with respect to Awards are paid to other participants under Company's Long Term Incentive and RSU Program (the "NLTIP/RSU Program") (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iii) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive, within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (iv) pay Executive on the effective date of such termination a lump sum, cash payment in an amount equal to the Termination Payment (provided, however, that if the payment of the Termination Payment would be subject to additional taxes and interest under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then such amount shall be paid within five business days after the Section 409A Payment Date), and (v) provide Executive with Outplacement and Related Services (as such term is defined in paragraph 4.8 and for the time periods described therein; provided, however, that to the extent the benefits provided to Executive under clause (2) of the definition of Outplacement and Related Services and any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during the first six-months following Executive's termination of employment have an aggregate value in excess of the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination occurs, Executive shall pay to Company, at the time such benefits are provided, the fair market value of such benefits, and Company shall reimburse Executive (with interest thereon at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii)), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment) for any such payment not later than the fifth day following the expiration of such six-month period). Capitalized terms used in clauses (ii) and (iii) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTIP/RSU Program as in effect on the Effective Date. If the payment of the Termination Payment is delayed as provided in the parenthetical set forth in clause (B)(iv) of the first sentence of this paragraph, then (1) interest on such delayed payment for the period beginning on the date of Executive's termination of employment and ending on the date of the payment of the Termination Payment at the Aa Corporate Bond Rate (as determined as provided in clause (B)(v) of the first sentence of this paragraph) shall also be paid by Company to Executive at the time of the payment of the Termination Payment, and (2) Company shall, on or as soon as practicable after the date of Executive's termination of employment, contribute cash in an amount equal to the Termination Payment plus the interest described in clause (1) of this sentence (based on the assumption that the payment will be delayed for six months) to an irrevocable grantor ("rabbi") trust of which Executive is the sole beneficiary and the trustee of which is a nationally-recognized and solvent bank or trust company that is not affiliated with Company (subject to the claims of Company's creditors, as required pursuant to applicable Internal Revenue Service guidance to prevent the imputation of income to Executive prior to distribution from the trust), pursuant to which the Termination Payment plus applicable interest shall be payable from the trust at the time provided herein, provided that (x) to the extent such amount is paid to Executive by Company, the trust shall pay such amount to Company, and (y) in no event shall cash be transferred to the trust during any period in which such transfer would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code.

4.2 By Company. If Executive's employment hereunder shall be terminated by Company prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and all benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1 (except that the automobile benefit described in clause (A)(vi) of such sentence and the parking benefit described in clause (A)(vii) of such sentence shall not be provided if the reason for such termination is encompassed by paragraphs 2.2 (iii), (iv), (v) or (vi)), and:

(i) if such termination shall be without Cause, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable); and

(ii) if such termination shall be for a reason encompassed by paragraphs 2.2(i) or (ii), then Company shall (1) cause all options and shares of restricted stock awarded to Executive to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination (or such longer period as provided for under the circumstances in applicable option awards, but in no event later than the earlier of the latest date upon which the option could have expired by its original terms under any circumstances or the tenth anniversary of the original date of grant of the option), (2) if such termination occurs prior to the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), at the same time as Payment Amounts with respect to Awards are paid to other participants under the NLTIP/RSU Program (or, if a Change in Control occurs prior to such payment date and prior to the date for which a potential payment under the NLTIP/RSU Program ceases to exist for the relevant Award, on the date upon which such Change in Control occurs), all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTIP/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), (3) if such termination occurs on or after the date upon which a Change in Control occurs, pay to Executive (or Executive's estate), within five business days after the date of such termination, all Payment Amounts with respect to Awards made to Executive under the NLTIP/RSU Program for which a potential payment under the NLTIP/RSU Program exists as of the date of Executive's termination of employment, as if Executive had remained employed by Company in Executive's current position

through the date that would entitle Executive to the maximum payment with respect to such Awards under the NLTI/RSU Program (calculated using the Base Amount of Executive in effect on the day immediately preceding such termination), and (4) if termination was due to Executive's death, provide Executive's designated beneficiary or beneficiaries with the benefits contemplated under paragraph 3.3. Capitalized terms used in clauses (2) and (3) of the preceding sentence that are not defined elsewhere in this Agreement have the meanings ascribed thereto in the NLTI/RSU Program as in effect on the Effective Date.

4.3 By Executive. If Executive's employment hereunder shall be terminated by Executive prior to expiration of the term provided in paragraph 2.1 hereof then, upon such termination, regardless of the reason therefor, all compensation and benefits to Executive hereunder shall terminate contemporaneously with the termination of such employment, except that Company shall provide Executive with the payments and benefits described in clause (A) of the first sentence of paragraph 4.1, and, if such termination shall be by Executive for Good Reason, then Company shall provide Executive with the payments and benefits described in clause (B) of the first sentence of paragraph 4.1 and take the actions described in the last sentence of paragraph 4.1 (if applicable).

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Code), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive on or as soon as practicable following the day on which the Excise Tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which the Excise Tax is remitted) an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under any stock incentive or other benefit plan or program of Company) equal to the Excise Tax imposed upon the Payments; provided, however, that Company's obligation to pay Executive a Gross-up Payment with respect to an Excise Tax relating to Section 409A of the Code is conditioned on Executive having, on and after the Effective Date, cooperated with Company to execute any amendment to the provisions hereof or any other agreement or arrangement reasonably necessary to avoid the imposition of such Excise Tax, but only to the minimum extent necessary to avoid the application of such Excise Tax and only to the extent that Executive would not, as a result, suffer (i) any reduction in the total present value of the amounts otherwise payable to Executive, or the benefits otherwise to be provided to Executive, by Company or (ii) any material increase in the risk of Executive not receiving such amounts or benefits, it being agreed that, upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon as so described) proposed to be deferred in payment to Executive under the terms of this proviso. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

4.5 Payment Obligations Absolute. Company's obligation to pay Executive the amounts and to make the arrangements provided in this Article 4 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set off, counterclaim, recoupment, defense or other right which Company (including its subsidiaries and affiliates) may have against Executive or anyone else; provided that all payments and other Company obligations under this Article 4 shall be subject to Executive's execution, within 50 days after the date of Executive's termination of employment, of a general release and waiver substantially in the form attached as Exhibit A to this Agreement, which has become irrevocable. Company agrees to execute such form of release and waiver concurrently with the execution thereof by Executive. All amounts payable by Company shall be paid without notice or demand. Executive shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Article 4, and, except as provided in paragraph 4.8 with respect to Continuation Coverage, the obtaining of any such other employment (or the engagement in any endeavor as an independent contractor, sole proprietor, partner, or joint venturer) shall in no event effect any reduction of Company's obligations to make (or cause to be made) the payments and arrangements required to be made under this Article 4.

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

4.7 Flight Benefits.

(i) Scope; Effectiveness. Paragraphs 4.7 and 4.8 set forth the terms and conditions of Flight Benefits provided to Executive effective as of January 1, 2008. Prior to and including December 31, 2007, Executive shall be entitled to Flight Benefits on the terms set forth in the Existing Agreement. Executive's Flight Benefits include Grandfathered Flight Benefits (as such term is defined in paragraph 4.8), which Executive shall retain in accordance with the terms and conditions of this paragraph 4.7 and the other terms of this Agreement. Effective calendar year 2008, the Grandfathered Flight Benefits shall be used in a calendar year only after Executive has used the annual Flight Benefits allotted to Executive for such year and then shall be used in accordance with the terms and conditions of this paragraph 4.7; provided, however, that if Executive would be subject to additional taxes and interest under Section 409A of the Code if Executive's right to use Executive's annual allotment of Flight Benefits is not delayed as provided in Section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, then, during the six-month period following Executive's termination of employment, Executive shall be able to use (a) first, Executive's Annual Travel Limit and Annual Gross Up Limit (as such terms are defined in paragraph 4.8) that are not part of Executive's

Grandfathered Flight Benefits until the time that such benefits used (together with any other miscellaneous separation pay benefits subject to Section 409A of the Code that are provided to Executive during such period) have an aggregate value equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code for the year in which such termination of employment occurs, and (b) then, Executive's Grandfathered Flight Benefits.

(ii) Restrictions on Use; Consequences of Misuse.

(a) Personal Use Restriction. Executive agrees that the Flight Benefits are to be used principally for personal reasons and may not be used for business purposes (other than business purposes on behalf of Company, and other than business usage that is incidental or de minimus, defined as amounting to less than 10% of the total value (valued as the usage of the Annual Travel Limit is calculated) of flights on the CO System charged to Executive's UATP card (as such terms are defined in paragraph 4.8) during any calendar year), and that credit availability on Executive's UATP card may be suspended if (A) such UATP card is used for business purposes other than as described above and (B) after receiving written notice from Company to cease such usage, Executive continues to use Executive's UATP card for such business purposes.

(b) Booking and Ticketing; Accounting; Reimbursement.

(1) No tickets issued on the CO System in connection with the Flight Benefits may be purchased other than directly from Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued.

(2) Executive shall be responsible for all charges on Executive's UATP card in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that are not for flights on the CO System. Executive agrees to reimburse Company, after receipt of an invoice or other accounting statement, for all charges on Executive's UATP card that are not for flights on the CO System and that are not otherwise reimbursable to Executive under the applicable policies of Company for reimbursement of business expenses of officers of Company, or that are for tickets in excess of the Annual Travel Limit (and, if available, the Grandfathered Flight Benefits) or that violate the restrictions set forth in this paragraph 4.7, which reimbursement shall be made promptly (and in any event within 45 days after receipt of such invoice or other accounting statement). Executive agrees that the credit availability under Executive's UATP card may be suspended if Executive does not timely reimburse Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits); provided, that, immediately upon Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit (and, if available, the Grandfathered Flight Benefits), beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card will be restored.

(iii) Imputed Income. The sole cost to Executive of flights on the CO System pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO System charged on Executive's UATP card, or as otherwise required by law, and reported to Executive as required by applicable law. For purposes of tax reporting of Flight Benefits, it is the practice of Company to calculate taxable amounts based on the fiscal period commencing November 1 and ending on the following October 31 (for example, Flight Benefits utilized (i.e. "flown") during the twelve-month period from November 1, 2007 to October 31, 2008 are reported as a taxable benefit for year 2008). Company shall have sole discretion to change this practice, including if additional reporting tools become available to process Flight Benefits data or as required by law. With respect to any period for which Company is obligated to provide the Annual Gross Up Limit, Executive will provide to Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit Company to calculate accurately the amount to be paid to Executive.

(iv) Section 409A Matters. It is intended that the Flight Benefits program described in this Agreement comply with the limitations and requirements of Section 409A of the Code to the extent applicable, and all provisions herein shall be construed and interpreted in accordance with such intent. If Company reasonably determines in good faith that any provision of such program, when considered individually or in connection with the terms of any other nonqualified deferred compensation plan maintained by Company or any affiliate of Company, violates Section 409A of the Code, such provision will not be effected but will instead be interpreted and amended to comply with Section 409A of the Code, and any corrections of operation or administration necessary to comply with Section 409A of the Code shall be implemented; provided, however, that (a) no such interpretation, amendment or correction shall result in Executive being treated worse than other Company officers in the same or a lower officer category than Executive and (b) Company may not modify or amend the Grandfathered Flight Benefits without Executive's prior written consent.

(v) Additional Survivor Benefits. Upon Executive's death, in addition to the lifetime benefits provided pursuant to paragraphs 4.8(ix)(2)(c) and (d), Executive's surviving spouse and children will be permitted to continue to use (in the proportions specified in Executive's last will and testament or, if not so specified or if Executive dies intestate, in equal proportions) Executive's Flight Benefits as follows:

(a) the Grandfathered Flight Benefits relating only to Executive's Annual Travel Limit (but only in such amounts as were unused by Executive at the date of Executive's death), which amounts shall be adjusted upon any change in the valuation methodology used by Company for imputed income for U.S. federal income tax purposes from flights so as to preserve a benefit level for purchase of tickets on the CO System at least as favorable as the amount available at the date of Executive's death; and

(b) an additional travel limit that shall be granted annually on January 1 of each calendar year during the ten calendar year period beginning January 1st of the calendar year following Executive's death and ending on December 31st of the year of the tenth anniversary of the Executive's death (such annual survivor benefit amount to be \$15,000), which annual amount shall be adjusted upon any change in the valuation methodology used by Company for imputed income from flights for U.S. federal income tax purposes so as to preserve an annual benefit level for purchase of tickets on the CO System at least as favorable as the benefit in effect on January 1, 2008.

Upon Executive's death, Company shall issue UATP cards in the names of Executive's surviving spouse and children, as applicable. An individual's share of the Grandfathered Flight Benefits described in paragraph 4.7(v)(a) shall be used in a calendar year only after such individual has used his or her share of the annual survivor benefit described in paragraph 4.7(v)(b). In determining any adjustment pursuant to paragraphs 4.7(v)(a) and 4.7(v)(b), Company shall be entitled to rely on its good faith calculation as verified by its internal audit department or independent auditors, which calculation will be provided to the Executive's surviving spouse and children upon request. Company will provide Executive's surviving spouse and children an annual statement specifying the survivor benefit and any adjustments described in this subparagraph. Any portion of the annual survivor benefit described in paragraph 4.7(v)(b) that remains unused at the end of the calendar year for which it was awarded shall terminate and be of no further use or value. All restrictions, duties and obligations of Executive, and all rights of Company,

relating to Executive's usage of Flight Benefits contained in this Agreement shall be applicable to usage of Executive's Flight Benefits by Executive's surviving spouse and children, and the provision of such Flight Benefits to Executive's surviving spouse and children shall be conditioned upon written acknowledgement of and agreement thereto by Executive's surviving spouse and children who may use such Flight Benefits.

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

(i) "affiliates" means any entity controlled by, controlling, or under common control with Company, it being understood that control of an entity shall require the direct or indirect ownership of a majority of the outstanding capital stock of such entity;

(ii) "Annualized Compensation" shall mean an amount equal to the sum of (1) Executive's annual base salary pursuant to paragraph 3.1 in effect immediately prior to Executive's termination of employment hereunder and (2) an amount equal to 125% of the amount described in the foregoing clause (1);

(iii) "Annual Travel Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which annual amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level for purchases of tickets on the CO System (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Travel Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Travel Limit and will notify Executive promptly of any adjustments to the Annual Travel Limit described in this subparagraph. Any portion of the Annual Travel Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(iv) "Annual Gross Up Limit" means an amount granted annually (on a calendar-year basis and effective January 1 of each year) by Company to Executive (such amount to be the same for each officer within an officer category and no less than the amount granted with respect to Executive for the flight benefits program year 2007; provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then each annual grant for a calendar year beginning after such termination of employment shall, subject to the remaining provisions of this subparagraph, be in an amount equal to the amount of the annual grant Executive received for the year in which such termination of employment occurred), which amount shall be adjusted upon any change in the valuation methodology used by Company to calculate imputed income from flights for U.S. federal income tax purposes so as to preserve such annual benefit level of tax gross up (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the prior valuation methodology, then the Annual Gross Up Limit would be increased by 15%). In determining any adjustment, Company shall be entitled to rely on its good faith calculation, as verified by its internal audit department or independent auditors, which calculation will be provided to Executive upon request. Company will provide Executive an annual statement specifying the Annual Gross Up Limit and will notify Executive promptly of any adjustments to the Annual Gross Up Limit described in this subparagraph. Any portion of the Annual Gross Up Limit that remains unused at the end of the calendar year for which it was awarded shall expire and be of no further use or value;

(v) "Change in Control" shall have the same meaning as is assigned to such term under the NLTP/RSU Program as in effect on the Effective Date;

(vi) "Continuation Coverage" shall mean, subject to the limitations described in this paragraph 4.8(vi), the continued coverage of Executive and Executive's eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, vision care, accidental death and dismemberment, and prescription drug (but excluding disability). Such coverage shall be offered solely as an alternative to any COBRA continuation coverage applicable to any group health plan otherwise available to Executive (and each of Executive's dependents, if any) within the meaning of ERISA sections 601 through 608. Further, any such coverage shall be subject to the application of any Medicare or other coordination of benefits provisions under a particular welfare benefit plan. Such coverage shall be provided by Company at no greater contribution, deductible or co-pay cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment. The coverage described in this paragraph 4.8(vi) (or the receipt of equivalent benefits) shall be provided to Executive under one or more insurance policies so that reimbursement or payment of benefits to Executive thereunder shall not result in taxable income to Executive, and provided further that the coverage to Executive under a particular welfare benefit plan (or the receipt of equivalent benefits) shall be suspended during any period that Executive receives comparable benefits from a subsequent employer, and shall be reinstated upon Executive ceasing to so receive comparable benefits and notifying Company thereof;

(vii) "CO System" shall mean (1) flights operated by Company or any of its affiliates or any successor or successors thereto and (2) flights operated on behalf of Company by any third party under capacity purchase agreements with Company; provided that, unless otherwise communicated to Executive and subject to clause (2), CO System shall not include flights on any other carriers, including Continental Connection carriers and other alliance/codeshare carriers;

(viii) "Eligible Family Members" means, with respect to each annual benefit year, Executive's spouse or travel companion, dependent unmarried children through age 20 and through age 25 if full-time students, and a maximum of two parents (which may be biological or step-parents); provided that, if Flight Benefits are provided to Executive after Executive's termination of employment pursuant to this Agreement, then, following such termination of employment, an Eligible Family Member shall not include any individual with respect to whom a benefit described in paragraph 4.8(ix)(2)(a) is taxable;

(ix) "Flight Benefits" shall (1) for the period from the Effective Date through December 31, 2007, have the meaning and shall be determined, provided and construed in accordance with the terms and conditions set forth in the Existing Agreement, and (2) for calendar year 2008 and beyond (to the extent Executive is

entitled to such benefits under the terms of this Agreement), mean flight benefits on each airline in the CO System consisting of the following (and such flight benefits shall be provided and construed in accordance with the terms and conditions set forth in paragraphs 4.7 and 4.8):

(a) highest priority space available flight passes, including appropriate flight pass identification cards, for Executive and Executive's Eligible Family Members;

(b) a Universal Air Travel Plan (UATP) card or, in the event of discontinuance of the UATP program, a similar charge card or other authorization mechanism permitting the purchase of air travel through direct billing to Company or any successor or successors thereto (which successor card or mechanism shall be deemed included as appropriate in all references herein to "UATP card") in Executive's name for charging (subject to the restrictions set forth in paragraph 4.7(ii)) the purchase of tickets on the CO System (in any fare class) for travel by Executive, Executive's spouse, Executive's family and significant others as determined by Executive. The UATP card may be used up to the amount of any Grandfathered Flight Benefits and, on an annual, calendar-year basis, up to the Annual Travel Limit;

(c) Platinum Elite OnePass Cards (or similar highest category successor frequent flyer cards) in Executive's and Executive's spouse's and children's names, such cards to be lifetime membership cards;

(d) a membership for Executive and Executive's spouse and children in Company's Presidents Club (or any successor program), such memberships to be lifetime memberships (subject to the terms and conditions of membership, including minimum age requirements);

(e) payment by Company to Executive of an annual (calendar year) amount up to the Annual Gross Up Limit sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from flights purchased with the UATP card or resulting from any other flight benefits extended to Executive as a result of Executive's service as an employee of Company, and any payment by Company to Executive pursuant to this paragraph 4.8(ix)(2)(e) shall be made on or as soon as practicable following the day on which the required tax is remitted by or on behalf of Executive (but not later than the end of the taxable year following the year in which such tax is remitted); and

(f) the Grandfathered Flight Benefits (including the use of the UATP card with respect thereto);

(x) "Grandfathered Flight Benefits" shall mean Executive's accrued but unused "Annual Travel Limit" (up to a maximum of \$100,000) and "Annual Gross Up Limit" as determined pursuant to the terms of the Existing Agreement and as reflected on the records of Company as of December 31, 2007 (which amounts represent or are less than (1) Executive's balances as of December 31, 2004 that were earned and vested as of such date, plus (2) additions to such balances for the period from January 1, 2005 through December 31, 2007 (the right to which were earned and vested as of December 31, 2004), reduced by (3) the portion of such balances used by Executive on or before December 31, 2007), which Company and Executive believe are "grandfathered" under Section 409A of the Code. Grandfathered Flight Benefits shall not include any portion of the annual Flight Benefits provided to Executive for a calendar year beginning after December 31, 2007, and shall be reduced when and to the extent used by Executive pursuant to the terms of paragraph 4.7;

(xi) "Outplacement and Related Services" shall mean (1) outplacement services, at Company's cost and for a period of 12 months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors or the HR Committee (with such approval not to be unreasonably withheld), and (2) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of Executive's position, to the extent then available for use by Executive, for a period of three years beginning on the date of Executive's termination of employment or a shorter period if such perquisites become unavailable to Company for use by Executive;

(xii) "Severance Period" shall mean:

(1) in the case of a termination of Executive's employment with Company that occurs within two years after the date upon which a Change in Control occurs, a period commencing on the date of such termination and continuing for 36 months; or

(2) in the case of a termination of Executive's employment with Company that occurs prior to a Change in Control or after the date which is two years after a Change in Control occurs, a period commencing on the date of such termination and continuing for 24 months; and

(xiii) "Termination Payment" shall mean an amount equal to Executive's Annualized Compensation multiplied by a fraction, the numerator of which is the number of months in the Severance Period and the denominator of which is 12.

ARTICLE 5: MISCELLANEOUS

5.1 Interest and Indemnification. If any payment to Executive provided for in this Agreement is not made by Company when due, Company shall pay to Executive interest on the amount payable from the date that such payment should have been made until such payment is made, which interest shall be calculated at 3% plus the prime or base rate of interest announced by JPMorgan Chase Bank (or any successor thereto) at its principal office in Houston, Texas (but not in excess of the highest lawful rate), and such interest rate shall change when and as any such change in such prime or base rate shall be announced by such bank. If Executive shall obtain any money judgment or otherwise prevail with respect to any litigation brought by Executive or Company to enforce or interpret any provision contained herein, Company, to the fullest extent permitted by applicable law, hereby indemnifies Executive for Executive's reasonable attorneys' fees and disbursements incurred in such litigation and hereby agrees (i) to pay in full all such fees and disbursements and (ii) to pay prejudgment interest on any money judgment obtained by Executive from the earliest date that payment to Executive should have been made under this Agreement until such judgment shall have been paid in full, which interest shall be calculated at the rate set forth in the preceding sentence. Any reimbursement of attorneys' fees and disbursements required under this paragraph 5.1 and any reimbursement of costs and expenses required under paragraph 3.6(ii) or paragraph 4.4 shall be made by Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to Company (but in any event not later than the close of Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by Executive); provided, however, that, upon Executive's termination of employment with Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Code; provided that interest at the rate specified above in this Section 5.1 shall

be paid to Executive with respect to any time period that reimbursement is so delayed and such interest shall be paid at the same time as the reimbursement. In no event shall any reimbursement be made to Executive for such fees, disbursements, costs and expenses incurred after the later of (1) the tenth anniversary of the date of Executive's death or (2) the date that is ten years after the date of Executive's termination of employment with Company.

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

If to Company: Continental Airlines, Inc.

1600 Smith, Dept. HOSEO

Houston, Texas 77002

Attention: General Counsel

If to Executive: At the most recent address on file with Company.

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

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

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

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

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

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

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

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

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

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

5.12 Entire Agreement. Except as provided in (i) the benefits, plans, and programs referenced in paragraph 3.6(iv) and any awards under Company's stock incentive plans or programs, Annual Executive Bonus Program, NLTIP/RSU Program or similar plans or programs, (ii) the Existing Compensation Reduction Agreement, and (iii) separate agreements governing Executive's flight benefits relating to other airlines, this Agreement, as of the Effective Date, will constitute the entire agreement of the parties with regard to the subject matter hereof, and will contain all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Effective as of the Effective Date, the Existing Agreement (but not the Existing Compensation Reduction Agreement) shall automatically terminate and no longer be of any force or effect, and neither party shall have any rights or obligations thereunder; provided, however, that the provisions of the Existing Agreement relating to the provision of Flight Benefits shall survive through December 31, 2007. The Existing Compensation Reduction Agreement shall continue to apply after the Effective Date. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

5.14 No Solicitation. During Executive's employment hereunder and for a period of two years following the date of Executive's termination of employment, Executive hereby agrees not to, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of Company or any of its subsidiaries to perform services for any entity (other than Company or its subsidiaries), or attempt to induce any such employee to leave the employ of Company or its subsidiaries.

5.15 Confidentiality. During Executive's employment hereunder and thereafter, Executive shall hold in strict confidence any Proprietary or Confidential Information related to Company or its subsidiaries, except that Executive may disclose such information as required by law, court order, regulation or similar order. For purposes of this Agreement, the term "Proprietary or Confidential Information" shall mean all information relating to Company, its

subsidiaries or affiliates (such as business plans, trade secrets, or financial information of strategic importance to Company or its subsidiaries or affiliates) that is not generally known in the airline industry, that was learned, discovered, developed, conceived, originated or prepared during Executive's employment with Company and the disclosure of which would be harmful to the business prospects, financial status or reputation of Company or its subsidiaries or affiliates at the time of any disclosure by Executive.

5.16 Injunctive Relief. Executive hereby agrees that it is impossible to measure in money the damages which will accrue to Company by reason of a failure by Executive to perform any of Executive's obligations under paragraphs 5.14 and 5.15. Accordingly, if Company or any of its affiliates institutes any action or proceeding to enforce paragraphs 5.14 or 5.15, to the extent permitted by applicable law, Executive hereby waives the claim or defense that Company or its affiliates has an adequate remedy at law, and Executive shall not urge in any such action or proceeding the claim or defense that any such remedy at law exists.

5.17 Delayed Payment Restriction. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A of the Code if Executive's receipt of such payment or benefit is not delayed until the Section 409A Payment Date, then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date (and, at that time, Executive shall also receive interest thereon from the date such payment or benefit would have been provided in the absence of this paragraph until the date of receipt of such payment or benefit at the Aa Corporate Bond Rate (as defined in paragraph 3.5(vii), but determined as of the last day of the second month preceding the first day of the month coinciding with or next following the date of Executive's termination of employment)). Upon request of Executive, Company shall establish and fully fund (other than during any period in which such funding would result in adverse tax consequences to Executive pursuant to Section 409A(b)(3) of the Code) an irrevocable grantor ("rabbi") trust as described in the last sentence of paragraph 4.1 with respect to any amounts (plus interest thereon) required to be deferred in payment to Executive pursuant to the preceding sentence. This paragraph shall not apply to any payment or benefit otherwise described in the first sentence of this paragraph if another provision of this Agreement is intended to cause Executive's receipt of such payment or benefit to satisfy the requirements of Section 409A(a)(2)(B)(i) of the Code.

[Signatures begin on following page.]

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

CONTINENTAL AIRLINES, INC.

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By: /s/ Jennifer L. Vogel

Name: Jennifer L. Vogel

Title: Senior Vice President,

General Counsel, Secretary
and Chief Compliance Officer

"EXECUTIVE"

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/s/ Mark J. Moran

MARK J. MORAN

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APPROVED:

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/s/ Charles Yamarone

Charles Yamarone

Chair, Human Resources Committee

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EXHIBIT A

TO

EMPLOYMENT AGREEMENT

Form of Release Agreement

(to be executed by Company and Executive).

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In consideration of the benefits provided by Company to Executive, Executive hereby releases Continental Airlines, Inc. ("Continental") and each of its subsidiaries and affiliates and their respective stockholders, officers, directors, employees, representatives, agents and attorneys from any and all claims or liabilities, known or unknown, of any kind, including, without limitation, any and all claims and liabilities relating to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, or relating to the cessation of such employment or under the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 1981, the Texas

Commission on Human Rights Act, and any other statutory, tort, contract or common law cause of action, other than claims or liabilities arising from a breach by Continental of (i) its post-employment obligations under that certain Employment Agreement dated as of October 15, 2007 between Continental and Executive (the "Employment Agreement"), (ii) its obligations under the Continental Retirement Plan ("CARP"), under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Continental Airlines, Inc. Annual Executive Bonus Program (the "Annual Bonus Program"), the NLTIP/RSU Program, or under any other compensation plan or program of Continental (such capitalized but undefined terms having the meanings attributed to them in the Employment Agreement), or (iii) its obligations under existing agreements governing Executive's flight benefits relating to other airlines. Continental hereby releases Executive from any and all claims or liabilities, known or unknown, of any kind in any way relating to or pertaining to Executive's employment by, or services rendered to or for, Continental or any of its subsidiaries or affiliates, other than fraud or intentional malfeasance or claims arising from a breach by Executive of the Employment Agreement or of Executive's obligations under the CARE, under Executive's outstanding grants of stock options or restricted stock, under outstanding awards under the Annual Executive Bonus Program or the NLTIP/RSU Program, under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines. These releases are to be broadly construed in favor of the released persons. These releases do not apply to any rights or claims that may arise after the date of execution of this Release Agreement by Executive and Continental. Both parties agree that this Release Agreement is not and shall not be construed as an admission of any wrongdoing or liability on the part of either party. Notwithstanding the foregoing, the post-employment obligations created by the Employment Agreement, the CARE, Executive's outstanding option grants and grants of restricted stock, outstanding awards under the Annual Executive Bonus Program and the NLTIP/RSU Program, or outstanding awards under any other compensation plan or program of Continental, or under existing agreements governing Executive's flight benefits relating to other airlines, are not released.

Executive acknowledges that, by Executive's free and voluntary act of signing below, Executive agrees to all of the terms of this Release Agreement and intends to be legally bound thereby.

Executive acknowledges that Executive has received a copy of this Release Agreement on [date that Executive receives Release Agreement]. Executive understands that Executive may consider whether to agree to the terms contained herein for a period of [twenty-one] [forty-five] days after the date Executive has received this Release Agreement. Accordingly, Executive may execute this Release Agreement by [date [21] [45] days after Release Agreement is given to Executive], to acknowledge Executive's understanding of and agreement with the foregoing. [Add if 45 days applies: Executive acknowledges that attached to this Release Agreement are (i) a list of the positions and ages of those employees selected for termination (or participation in the exit incentive or other employment termination program) and (ii) a list of the ages of those employees not selected for termination (or participation in such program).] Executive acknowledges that Executive has been and is hereby advised to consult with an attorney prior to executing this Release Agreement.

This Release Agreement will become effective, enforceable and irrevocable on the eighth day after the date on which it is executed by Executive (the "Effective Date"). During the seven-day period prior to the Effective Date, Executive may revoke Executive's agreement to accept the terms hereof by serving written notice in accordance with Section 5.2 of the Employment Agreement to Company of Executive's intention to revoke. However, the Termination Payment provided for in the Employment Agreement will be delayed until the Effective Date.

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**FIRST AMENDMENT TO
CONTINENTAL AIRLINES, INC.
ANNUAL EXECUTIVE BONUS PROGRAM**

WHEREAS, the Continental Airlines, Inc. Annual Executive Bonus Program (as amended and restated through February 22, 2006, the "Program") has heretofore been adopted by the Human Resources Committee (the "Committee") of the Board of Directors of Continental Airlines, Inc. (the "Company") to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000; and

WHEREAS, the Committee is authorized to amend the Program; and

WHEREAS, the Committee desires to amend the Program in certain respects;

NOW, THEREFORE, the Program shall be amended as follows, effective as of January 1, 2008:

1. Section 4 of the Program shall be deleted and the following shall be substituted therefor:

"4. Annual Bonuses. Each Participant in the Program who has remained continuously employed by the Company or a subsidiary during the entire fiscal year with respect to which the Annual Bonus (as defined below) is to be paid, shall receive, as soon as reasonably practicable after the certification by the Committee described in Section 5 below with respect to such fiscal year (but in no event later than the 15th day of the third month following the end of such fiscal year), a cash bonus (an "Annual Bonus"), if any, equal to the ROBIC Margin Bonus for such Participant with respect to such fiscal year; provided that (i) the Cash Hurdle for such fiscal year has been achieved (and if such Cash Hurdle has not been achieved, then no Annual Bonus shall be payable with respect to such fiscal year) and (ii) the Financial Performance Hurdle, if any, applicable to such ROBIC Margin Bonus for such fiscal year has been achieved (and if such Financial Performance Hurdle, if any, applicable to such ROBIC Margin Bonus has not been achieved, then no Annual Bonus shall be payable with respect to such fiscal year). If a person becomes a Participant after the first day of a fiscal year, then (i) such Participant's Annual Bonus with respect to such fiscal year shall be pro-rated based on a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such fiscal year and ending on the last day of such fiscal year, and the denominator of which is 365, and (ii) the continuous employment requirement set forth in the first sentence of this Section 4 for the fiscal year in which such Participant begins participation in the Program shall apply only to that portion of such fiscal year beginning on the date of such Participant's commencement of participation (rather than the entire fiscal year)."

2. The third paragraph of Section 5 of the Program shall be deleted and the following shall be substituted therefor:

"As soon as is reasonably practical after the end of each fiscal year during which the Program is effective (but in no event later than the time which will permit the Company to pay any required Annual Bonus for such fiscal year within the time period prescribed in Section 4 above), the Committee shall certify in writing, prior to the payment of any Annual Bonus with respect to such fiscal year, whether the performance goals set forth herein have been met and whether any other material terms relating to the payment of such Annual Bonuses have been satisfied, to the extent required by section 162(m) of the Code. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification."

3. As amended hereby, the Program is specifically ratified and reaffirmed.

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument on this 15th day of October 2007, effective as stated above.

CONTINENTAL AIRLINES, INC.

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By: /s/ Jeffery A. Smisek

Jeffery A. Smisek

President

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CONTINENTAL AIRLINES, INC.
LONG TERM INCENTIVE AND RSU PROGRAM
(As Amended and Restated Through October 15, 2007).

I. PURPOSE OF PROGRAM

This Continental Airlines, Inc. Long Term Incentive and RSU Program (the "Program") has been adopted by the Human Resources Committee of the Board of Directors of Continental Airlines, Inc., a Delaware corporation (the "Company"), to implement in part the Performance Award provisions of the Continental Airlines, Inc. Incentive Plan 2000 (as amended from time to time, the "Incentive Plan 2000") adopted by the Board of Directors of the Company, and is intended to provide a method for attracting, motivating, and retaining key employees to assist in the development and growth of the Company and its Subsidiaries. The Program and Awards hereunder shall be subject to the terms of the Incentive Plan 2000, including (a) with respect to Profit Based RSU Awards and Stock Price Based RSU Awards, the limitations on the maximum number of shares of stock that may be subject to awards granted under the Incentive Plan 2000 to any one individual during any calendar year, and (b) with respect to NLT IP Awards, the limitations on the maximum value of Awards contained in Section 5(a)(iii) of the Incentive Plan 2000.

The Program as set forth herein constitutes an amendment and restatement of the Program as previously adopted and amended by the Company and as in effect on October 14, 2007 (the "Prior Program"), and shall supersede and replace in its entirety such previously adopted Prior Program. This amendment and restatement of the Prior Program into the Program was adopted by the Human Resources Committee of the Company's Board of Directors on October 15, 2007, and shall be effective as of such date. The terms and conditions of this amendment and restatement of the Program shall apply to all Awards granted under the Program, including, without limitation, Awards granted under the Prior Program.

II. DEFINITIONS AND CONSTRUCTION

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

- a. "Administrator" means (i) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is subject to Section 16 of the Securities Exchange Act of 1934, as amended (including any successor section to the same or similar effect, "Section 16"), the Committee, or (ii) in the context of Awards made to, or the administration (or interpretation of any provision) of the Program as it relates to, any person who is not subject to Section 16, the Chief Executive Officer of the Company (or, if the Chief Executive Officer is not a director of the Company, the Committee), unless the Program specifies that the Committee shall take specific action (in which case such action may only be taken by the Committee) or the Committee (as to any Award described in this clause (ii) or the administration or interpretation of any specific provision of the Program) specifies that it shall serve as Administrator.
- b. "Annual Executive Bonus Program" means the Continental Airlines, Inc. Annual Executive Bonus Program, or any successor to such program.
- c. "Award" means, with respect to each Participant for a Performance Period, such Participant's opportunity to earn a Payment Amount for such Performance Period, upon the satisfaction of the terms and conditions of the Program. Awards shall relate to an NLTIP Performance Target ("NLTIP Awards"), a Stock Price Based RSU Performance Target ("Stock Price Based RSU Awards"), or a Profit Based RSU Performance Target ("Profit Based RSU Awards"). Awards hereunder constitute Performance Awards (as such term is defined in the Incentive Plan 2000) under the Incentive Plan 2000.
- d. "Award Notice" means a written notice issued by the Company to a Participant evidencing such Participant's receipt of an Award with respect to a Performance Period.
- e. "Base Amount" means the sum of (i) the annual base rate of pay paid or payable in cash by the Company and the Subsidiaries to or for the benefit of a Participant for services rendered or labor performed, plus (ii) an additional amount equal to (1) for all Participants other than those described in Section 2.1(dd)(vi), 2.1(dd)(vii) or 2.1(dd)(viii) below, 125% of the amount described in clause (i), and (2) for all Participants described in Section 2.1(dd)(vi), 2.1(dd)(vii) or 2.1(dd)(viii) below, 37.5% of the amount described in clause (i). Base Amount shall be determined without reduction for amounts a Participant could have received in cash in lieu of (A) elective deferrals under any deferred compensation plan of the Company or (B) elective contributions made on such Participant's behalf by the Company or a Subsidiary pursuant to a qualified cash or deferred arrangement (as defined in section 401(k) of the Code) or pursuant to a plan maintained under section 125 of the Code.
- f. "Basis Point" means one one-hundredth of one percent (0.01%).
- g. "Board" means the Board of Directors of the Company.
- h. "Cash Hurdle" means, with respect to an NLTIP Performance Period or a Profit Based RSU Performance Period, the dollar amount specified by the Committee as the Cash Hurdle with respect to such Performance Period as provided in Section 3.1, and achievement of the Cash Hurdle means (i) in the case of an NLTIP Performance Period, that the Company's cash flow over such Performance Period is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Performance Period, as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with GAAP, is equal to or greater than that dollar amount so specified by the Committee as the Cash Hurdle for such Performance Period, and (ii) in the case of a Profit Based RSU Performance Period, that the Company's cash flow over the period beginning on the first day of such Performance Period and ending on the last day of the Fiscal Year prior to the applicable Specified Payment Date (the "Cash Hurdle Measurement Period") is such that the Company's cash, cash equivalents and short term investments (excluding restricted cash, cash equivalents and short term investments) at the end of such Cash Hurdle Measurement Period, as reflected on the regularly prepared and publicly available balance sheet of the Company and its consolidated subsidiaries prepared in accordance with GAAP, is equal to or greater than that dollar amount so specified by the Committee as the Cash Hurdle for such Performance Period.
- i. "Change in Control" shall have the same meaning as is assigned to such term under the Incentive Plan 2000, as in effect on March 12, 2004, taking into account amendments effected on that date.

- j. "Code" means the Internal Revenue Code of 1986, as amended.
- k. "Committee" means a committee of the Board comprised solely of two or more outside directors (within the meaning of the term "outside directors" as used in section 162(m) of the Code). Such committee shall be the Human Resources Committee of the Board unless and until the Board designates another committee of the Board to serve as the Committee.
- l. "Company" means Continental Airlines, Inc., a Delaware corporation.
- m. "Company Stock" means the Class B common stock, par value \$0.01 per share, of the Company.
- n. "Cumulative Profit Sharing Pool" means, with respect to the last day of a Fiscal Year in a Profit Based RSU Performance Period, the aggregate amount of the Profit Sharing Pools, if any, for such Fiscal Year and for all prior Fiscal Years in such Profit Based RSU Performance Period.
- o. "Cumulative Profit Sharing Pool Target" means, with respect to a Profit Based RSU Performance Period, the dollar amount specified by the Committee as the Cumulative Profit Sharing Pool Target with respect to such Performance Period as provided in Section 3.1. The Committee may set multiple levels for the Cumulative Profit Sharing Pool Target that may apply to a single Profit Based RSU Performance Period (and each such level is referred to herein as a "Cumulative Profit Sharing Pool Target Level"), and the Payout Structure relating to the Profit Based RSU Award for such Performance Period may specify different Profit Based RSU Payment Percentages depending on the Cumulative Profit Sharing Pool Target Level achieved. Achievement of a Cumulative Profit Sharing Pool Target means that, as of the last day of a Fiscal Year in the Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool equals or exceeds a Cumulative Profit Sharing Pool Target Level that has not been so achieved as of the last day of any prior Fiscal Year in such Profit Based RSU Performance Period (and the Cumulative Profit Sharing Pool Target shall be deemed achieved for such Fiscal Year only with respect to the highest such Cumulative Profit Sharing Pool Target Level so achieved for such Fiscal Year).
- p. "Disability" or "Disabled" means, with respect to a Participant, that such Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of such Participant's employer.
- q. "EBITDAR" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the aggregate earnings of the Company or such company and its consolidated subsidiaries during the Performance Period, determined prior to the charges, costs, and expenses associated with interest, income taxes, depreciation, amortization, and aircraft rent. EBITDAR shall be determined based on the regularly prepared and publicly available statements of operations of the Company and each company in the Industry Group prepared in accordance with GAAP (and if necessary to determine certain items, based on Form 41 data filed by the Company or such company with the Department of Transportation); provided, however, that EBITDAR shall be adjusted to exclude (i) non-operating income or expense, (ii) write-offs of assets (including aircraft and associated parts), (iii) one-time gains or losses from the disposal of assets, and (iv) any other item of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, in each case under clauses (i), (ii), (iii) and (iv) as determined by the Committee in accordance with GAAP. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR for an NLTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- r. "EBITDAR Margin" means, with respect to the Company and each company in the Industry Group and each NLTIP Performance Period, the cumulative EBITDAR for the Company or such company for such Performance Period divided by the Company's or such company's cumulative revenues (determined on a consolidated basis based on the regularly prepared and publicly available statements of operations of the Company or such company prepared in accordance with GAAP) over such Performance Period; provided, however, that, with respect to NLTIP Performance Periods beginning on or after January 1, 2007, such cumulative revenues shall be adjusted to exclude any item determined to be extraordinary or unusual in nature or infrequent in occurrence as determined by the Committee in accordance with GAAP. If the fiscal year of a company in the Industry Group is not the calendar year, then such company's EBITDAR Margin for an NLTIP Performance Period shall be determined based upon the fiscal quarters of such company that coincide with the fiscal quarters contained in such Performance Period. Further, if a company in the Industry Group provides publicly available statements of operations with respect to its airline business that are separate from the statements of operations provided with respect to its other businesses, then such company's EBITDAR Margin shall be determined based solely upon the separately provided statements of operations pertaining to its airline business.
- s. "Eligible Employee" means any individual who is a staff vice president or more senior officer of the Company or a Subsidiary.
- t. "Entry EBITDAR Margin" means, with respect to each NLTIP Performance Period, the percentage determined by calculating the simple average of the EBITDAR Margins of the companies in the Industry Group with respect to such Performance Period. Notwithstanding the foregoing, with respect to each NLTIP Performance Period beginning on or after January 1, 2007, the term "Entry EBITDAR Margin" means the percentage determined by dividing (i) the cumulative EBITDAR of all companies in the Industry Group for such Performance Period by (ii) all such companies' cumulative revenues (determined as provided in Section 2.1(r)) over such Performance Period.
- u. "Financial Performance Hurdle" means, with respect to a particular Fiscal Year, that the Company's net income for such Fiscal Year, as set forth on its regularly prepared and publicly available consolidated statements of operations prepared in accordance with GAAP, is greater than \$0 (or, with respect to the first Fiscal Year under the Program, greater than \$66 million).
- v. "Fiscal Year" means each 12-consecutive month period commencing on January 1; provided, however, that the first Fiscal Year under the Program shall be the nine-consecutive month period commencing on April 1, 2006.
- w. "GAAP" means United States generally accepted accounting principles, consistently applied.

- x. "Incentive Plan 2000" means the Continental Airlines, Inc. Incentive Plan 2000, as amended from time to time.
- y. "Industry Group" means, with respect to each NLTIP Performance Period, the companies determined in accordance with the provisions of Article V for such Performance Period.
- z. "Market Value per Share" means, as of any specified date, the simple average of the closing sales prices of Company Stock in the principal securities market in which the Company Stock is then traded over the 20 most recent consecutive Trading Days ending on the last Trading Day preceding the specified date, adjusted appropriately by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters occurring during or with respect to any relevant measurement period.
- aa. "NLTIP Performance Period" means each three-year period commencing on the first day of a calendar year that begins on or after January 1, 2005. Notwithstanding the foregoing, no new NLTIP Performance Period shall commence on or after the date upon which a Change in Control occurs, unless otherwise determined by the Committee.
- ab. "Participant" means an Eligible Employee who has received an Award under the Program with respect to a Performance Period pursuant to Section 4.1.
- ac. "Payment Amount" (A) with respect to Stock Price Based RSU Awards means, with respect to each Participant and each Stock Price Based RSU Performance Period with respect to which the Stock Price Based RSU Performance Target is satisfied, an amount equal to 100% of the RSU Value, determined as of the last day of the relevant Stock Price Based RSU Performance Period (or, in the event of a Change in Control, as of the date of the Change in Control, or in the event of death, Disability or Retirement of a Participant, as of the date of such death, Disability or Retirement), (B) with respect to NLTIP Awards means, with respect to each Participant and each NLTIP Performance Period for which the NLTIP Performance Target is satisfied, an amount equal to (i) such Participant's Base Amount in effect as of the earlier of (1) the last day of such NLTIP Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, multiplied by (ii) the Payout Percentage applicable to such Participant for such NLTIP Performance Period, and (C) with respect to each Profit Based RSU Award and related Profit Based RSU Performance Period, means each amount payable pursuant to Section 6.2(b), 6.3(b) and 6.4(b). Notwithstanding the foregoing, a Payment Amount may be pro-rated as provided in the Program.
- ad. "Payout Percentage" means, with respect to each NLTIP Performance Period for which the NLTIP Performance Target is satisfied:
- (i) In the case of a Participant who is the Company's Chief Executive Officer as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 75% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 50 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
- (ii) In the case of a Participant who is the Company's President as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 70% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 20 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 45 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;
- (iii) In the case of a Participant who is an Executive Vice President of the Company as of the earlier of (1) the last day of such Performance Period, (2) the date of such Participant's death, Disability or Retirement, or (3) the day immediately preceding the date upon which such Participant suffers a Qualifying Event in connection with, after, or in contemplation of a Change in Control, 50% plus (A) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Target EBITDAR Margin with respect to such Performance Period and the Entry EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Entry EBITDAR Margin with respect to such Performance Period, up to and including the Target EBITDAR Margin with respect to such Performance Period, and (B) if the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, an additional percentage equal to (x) 25 divided by (y) the difference between the Stretch EBITDAR Margin with respect to such Performance Period and the Target EBITDAR Margin with respect to such Performance Period (expressed in Basis Points), for each Basis Point that the Company's EBITDAR Margin with respect to such Performance Period exceeds the Target EBITDAR Margin with respect to such Performance Period, up to and including the Stretch EBITDAR Margin with respect to such Performance Period;

- ae. "Payout Structure" means, with respect to each Profit Based RSU Performance Period, a Profit Based RSU Payment Percentage determined by the Committee to apply to each Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Payout Structure for each Profit Based RSU Performance Period shall be determined by the Committee as provided in Section 3.1.
- af. "Performance Period" means an NLTI Performance Period, a Stock Price Based RSU Performance Period or a Profit Based RSU Performance Period, as applicable or as the context requires.
- ag. "Performance Target" means (A) with respect to an NLTI Performance Period, that (1) the Cash Hurdle with respect to such Performance Period has been achieved, and (2) the Company's EBITDAR Margin with respect to such Performance Period equals or exceeds the Entry EBITDAR Margin with respect to such Performance Period (clauses (A)(1) and (2) together, the "NLTI Performance Target"), (B) with respect to a Stock Price Based RSU Performance Period, that the Market Value per Share at any date during the Performance Period has been equal to or greater than the Target Price with respect to such Performance Period (clause (B), the "Stock Price Based RSU Performance Target"), or (C) with respect to a Profit Based RSU Performance Period, that, as of the last day of a Fiscal Year in such Performance Period, (1) the Financial Performance Hurdle for such Fiscal Year has been achieved, and (2) the Cumulative Profit Sharing Pool Target for such Performance Period has been achieved (clauses (C)(1) and (2) together, the "Profit Based RSU Performance Target").
- ah. "Pre-tax Net Income" means, with respect to each Fiscal Year, the consolidated income before taxes but after minority interest (as computed using net income (loss) before taxes) of the Company for such Fiscal Year in accordance with GAAP, as shown on the Company's consolidated statements of operations for such Fiscal Year, but calculated (i) excluding any unusual or non-recurring items in accordance with GAAP and (ii) prior to any costs associated with executive incentive compensation (defined as incentive compensation for executives of the Company with performance targets determined by the Committee), in each case as determined by the Committee; provided, however, Pre-tax Net Income with respect to the first Fiscal Year under the Program shall be calculated using the Company's consolidated statements of operations for the three quarters ended December 31, 2006 and adjusted by reducing Pre-tax Net Income for the first Fiscal Year by \$31 million. Notwithstanding the foregoing, in no event shall the Pre-tax Net Income for a Fiscal Year be less than \$0 for purposes of the Program.
- ai. "Profit Based RSU Payment Percentage" means, with respect to each Profit Based RSU Performance Period, the percentage of the RSUs subject to the related Profit Based RSU Award for which payments may be made under the Program upon achievement of a particular Cumulative Profit Sharing Pool Target Level relating to such Performance Period. The Profit Based RSU Payment Percentages for a Profit Based RSU Performance Period shall be determined by the Committee in connection with the Committee's determination of the Payout Structure for such Performance Period.
- aj. "Profit Based RSU Performance Period" means: (i) as to the first Profit Based RSU Performance Period under the Program, the period commencing on April 1, 2006 and ending on December 31, 2009, and (ii) each other period specified by the Committee as provided in Section 3.1 that consists of one or more consecutive Fiscal Years that begin on or after January 1, 2007.
- ak. "Profit Sharing Pool" means, with respect to each Fiscal Year, the "Annual Award Pool" for such Fiscal Year determined under (and based on the definition of such term set forth in) the Company's Enhanced Profit Sharing Plan as in effect on February 23, 2007, taking into account amendments effected on that date (the "EPSP"); provided, however, that (A) any Minor Pool (as defined in the EPSP) with respect to a Fiscal Year that ended prior to the beginning of any Profit Based RSU Performance Period shall not be included in the Profit Sharing Pool with respect to a Fiscal Year in such Performance Period and (B) for the Fiscal Year beginning on April 1, 2006, the Profit Sharing Pool for such Fiscal Year shall be the same as the Annual Award Pool under the EPSP for the 12-month period ending on December 31, 2006 (disregarding any Minor Pool to the extent provided in clause (A) of this paragraph), except that such Annual Award Pool shall be determined under the EPSP based on Pre-tax Net Income for such Fiscal Year determined under the Program reduced by an additional \$1 million (in lieu of "Pre-tax Net Income" (as defined under the EPSP) for the 12-month period ending on December 31, 2006).
- al. "Program" means this Continental Airlines, Inc. Long Term Incentive and RSU Program, as amended from time to time.
- am. "Qualifying Event" means, with respect to a Participant, the termination of such Participant's employment with the Company under circumstances which would permit such Participant to receive a Termination Payment or Monthly Severance Amount (as such terms are defined in such Participant's employment agreement), or similar payment, pursuant to any contract of employment between such Participant and the Company or any Subsidiary.
- an. "Retirement," "Retires" or "Retired" means retirement of a Participant from employment with the Company pursuant to the provisions of the Continental Retirement Plan, as amended from time to time.
- ao. "RSUs" means the method of denominating Profit Based RSU Awards and Stock Price Based RSU Awards, which shall be granted in whole numbers and which are denominated in Company Stock for purposes of Incentive Plan 2000. The number of RSUs subject to an outstanding Profit Based RSU Award or Stock Price Based RSU Award shall be subject to appropriate adjustment by the Committee for any stock splits, stock dividends, reverse stock splits, special dividends or other similar matters relating to Company Stock occurring after the date of grant of such Award and during or with respect to the applicable Performance Period.
- ap. "RSU Value" of a Stock Price Based RSU Award, as of a specified date, means the dollar amount calculated by multiplying the number of RSUs subject to the Stock Price Based RSU Award as of the specified date times the Market Value per Share as of the specified date.
- aq. "Specified Payment Date" means:
- (i) If a Profit Based RSU Performance Target is achieved for the first Profit Based RSU Performance Period as of the last day of the Fiscal Year that ends on December 31, 2006, then (A) with respect to a payment under Section 6.2(b)(i) for such Fiscal Year, the first day of the 15th month following the end of such Fiscal Year, (B) with respect to a payment under Section 6.2(b)(ii) for such Fiscal Year, the first day of the 27th month following the end of such Fiscal Year, and (C) with respect to a payment under Section 6.2(b)(iii) for such Fiscal Year, the first day of the 39th month following the end of such Fiscal Year; and
- (ii) If a Profit Based RSU Performance Target is achieved for any Profit Based RSU Performance Period as of the last day of a Fiscal Year that ends after December 31, 2006, then (A) with respect to a payment under Section 6.2(b)(i) for such Fiscal Year, the first day of the 3rd month following the end of such Fiscal Year, (B) with respect to a payment under Section 6.2(b)(ii) for such Fiscal Year, the first day of the 15th

month following the end of such Fiscal Year, and (C) with respect to a payment under Section 6.2(b)(iii) for such Fiscal Year, the first day of the 27th month following the end of such Fiscal Year.

With respect to each Fiscal Year during a Profit Based RSU Performance Period for which a Profit Based RSU Performance Target is achieved, the Specified Payment Date referred to in clause (i)(A) and (ii)(A) above, as applicable, is referred to herein as the "First Specified Payment Date," the Specified Payment Date referred to in clause (i)(B) and (ii)(B) above, as applicable, is referred to herein as the "Second Specified Payment Date," and the Specified Payment Date referred to in clause (i)(C) and (ii)(C) above, as applicable, is referred to herein as the "Third Specified Payment Date." Notwithstanding the foregoing, a Specified Payment Date may be deferred as provided in Section 6.2(b).

- ar. "Stock Price Based RSU Performance Period" means the period commencing on April 1, 2004 and ending on December 31, 2007.
- as. "Stretch EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Stretch EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Target EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- at. "Subsidiary" for purposes of participation in the Program means any entity (other than the Company) with respect to which the Company, directly or indirectly through one or more other entities, owns equity interests possessing 50 percent or more of the total combined voting power of all equity interests of such entity (excluding voting power that arises only upon the occurrence of one or more specified events).
- au. "Target EBITDAR Margin" means, with respect to an NLTIP Performance Period, the percentage determined by the Committee to be the Target EBITDAR Margin with respect to such Performance Period as provided in Section 3.1 hereof, which shall be expressed as the Entry EBITDAR Margin plus that number of Basis Points determined by the Committee as provided in Section 3.1.
- av. "Target Price" with respect to a Stock Price Based RSU Performance Period means the dollar value per share of Company Stock specified by the Committee as the Target Price for such Stock Price Based RSU Performance Period as provided in Section 3.1, which Target Price shall be appropriately adjusted by the Committee for any stock splits, stock dividends, reverse splits, special dividends or other similar events occurring during or with respect to the Stock Price Based RSU Performance Period.
- aw. "Trading Day" means a day during which trading in securities generally occurs in the principal securities market in which Company Stock is traded.

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

III. ADMINISTRATION

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

The Committee may from time to time in its discretion establish in writing for purposes of the Program a Profit Based RSU Performance Period that consists of one or more consecutive Fiscal Years. The Committee shall, promptly upon adoption of the Program in the case of all Performance Periods commencing on April 1, 2004, and within 90 days after the first day of each Performance Period commencing on or after January 1, 2005 (but in no event after the date required for a performance goal to be considered preestablished under Section 162(m) of the Code), establish in writing for purposes of the Program: (i) for NLTIP Awards, the applicable Target EBITDAR Margin and Stretch EBITDAR Margin (such that at all times the Stretch EBITDAR Margin shall be higher than the Target EBITDAR Margin, which in turn shall be higher than the Entry EBITDAR Margin) and the Cash Hurdle for each such Performance Period, (ii) for Stock Price Based RSU Awards, the applicable Target Price for each such Performance Period, and (iii) for Profit Based RSU Awards, the Cash Hurdle, the Cumulative Profit Sharing Pool Target Levels (including the Cumulative Profit Sharing Pool Target Level that shall apply for purposes of Section 6.4(b)) and the related Payout Structure for such Performance Period.

3.2 Powers of the Administrator. The Administrator shall supervise the administration and enforcement of the Program according to the terms and provisions hereof and shall have the sole discretionary authority and all of the powers necessary to accomplish these purposes. The Administrator (which shall be limited solely to the Committee with respect to clauses (e), (f), (g), (h), (i) and (j) below and as described in clause (c) below) shall have all of the powers specified for it under the Program, including, without limitation, the power, right, or authority: (a) to designate an Eligible Employee as a Participant with respect to a Performance Period at any time prior to the last day of such period, (b) from time to time to establish rules and procedures for the administration of the Program, which are not inconsistent with the provisions of the Program or the Incentive Plan 2000, and any such rules and procedures shall be effective as if included in the Program, (c) to construe in its discretion all terms, provisions, conditions and limitations of the Program and any Award, and to determine the number of RSUs subject to a Profit Based RSU Award or a Stock Price Based RSU Award to a Participant (which determination with respect to any person who is subject to Section 16 shall be made only by the Committee), (d) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Program in such manner and to such extent as the Administrator shall deem appropriate, (e) to determine the Target Price, the Target EBITDAR Margin, the Stretch EBITDAR Margin, and the Cumulative Profit Sharing Pool Target Levels with respect to each relevant Performance Period, (f) to determine the Cash Hurdle for each relevant Performance Period, (g) to determine the Payout Structure for each Profit Based RSU Award, (h) to make determinations as to whether the Performance Targets for the various Performance Periods were satisfied, (i) to make determinations as to whether the Cash Hurdles for the various

Profit Based RSU Performance Periods were satisfied, (j) to certify in writing, prior to the payment of any amount under the Program with respect to a Performance Period, whether the Performance Targets relating to such Performance Period and any other material terms of the Program have in fact been satisfied, and (k) to make all other determinations necessary or advisable for the administration of the Program. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Award or Award Notice in the manner and to the extent it shall deem expedient to carry it into effect.

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

IV. PARTICIPATION AND AWARD NOTICES

4.1 Participation. Each individual who is an Eligible Employee on the first day of a Performance Period shall automatically be a Participant and receive an Award with respect to such Performance Period, unless otherwise determined by the Administrator prior to the first day of the relevant Performance Period. NLTIP Awards shall be made with respect to NLTIP Performance Periods, Profit Based RSU Awards shall be made with respect to Profit Based RSU Performance Periods, and Stock Price Based RSU Awards shall be made with respect to Stock Price Based RSU Performance Periods. Each individual who becomes an Eligible Employee after the first day of a Performance Period shall become a Participant and receive an Award with respect to such Performance Period only if such individual is selected prior to the last day of such Performance Period by the Administrator in its sole discretion for participation in the Program with respect to such Performance Period. Unless otherwise determined by the Administrator, Payment Amounts with respect to a Stock Price Based RSU Award or an NLTIP Award for an individual who becomes a Participant with respect to such Award after the first day of the related Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3 or Section 6.4) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the last day of such Performance Period, and the denominator of which is the total number of days in such Performance Period. In addition, unless otherwise determined by the Administrator, Payment Amounts under Section 6.2(b) with respect to an individual who becomes a Participant with respect to a Profit Based RSU Performance Period after the first day of such Performance Period shall be pro-rated based on a fraction, the numerator of which is (except as otherwise provided in Section 6.3) the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such Performance Period and ending on the date of the applicable payment under Section 6.2(b), and the denominator of which is (except as otherwise provided in Section 6.3) the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the date of the applicable payment under Section 6.2(b).

4.2 Award Notices. The Company shall provide an Award Notice to each Eligible Employee who becomes a Participant with respect to a Performance Period within 90 days after such Eligible Employee becomes such a Participant. With respect to Profit Based RSU Awards and Stock Price Based RSU Awards to a Participant, the Administrator shall determine in each case the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to a Profit Based RSU Award shall specify (a) the Performance Period to which the Award relates, (b) the applicable Cumulative Profit Sharing Pool Target Levels and Cash Hurdle, (c) the number of RSUs subject to the Award as of the date of grant of the Award, and (d) the Payout Structure applicable to the Award. Each Award Notice with respect to a Stock Price Based RSU Award shall specify (i) the Performance Period to which the Award relates, (ii) the applicable Target Price, and (iii) the number of RSUs subject to the Award as of the date of grant of the Award. Each Award Notice with respect to an NLTIP Award shall specify (A) the Performance Period to which the Award relates, (B) the applicable Cash Hurdle, Target EBITDAR Margin and Stretch EBITDAR Margin, and (C) the applicable Payout Percentages set forth in Section 2.1(dd) hereof with respect to the Participant applicable upon the date of grant of the Award.

V. INDUSTRY GROUP

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

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

VI. AWARD PAYMENTS

6.1 Determinations and Certification by the Committee. As soon as administratively feasible after the end of each NLTIP Performance Period and Stock Price Based RSU Performance Period, and as soon as administratively feasible after the end of each Fiscal Year in a Profit Based RSU Performance Period, as the case may be, the Committee shall determine whether the applicable Performance Target for such Performance Period has been met (including, with respect to a Profit Based RSU Performance Period, the Cumulative Profit Sharing Pool Target Level, if any, that has been achieved) and whether any other material terms relating to the payment of the related Awards have been satisfied. As soon as administratively feasible on or before each Specified Payment Date under Section 6.2(b), the Committee shall determine whether the Cash Hurdle for any Cash Hurdle Measurement Period related to such date has been met. The Committee's determination as to whether the applicable Performance Target for a Performance Period, the Cash Hurdle for a Cash Hurdle Measurement Period and any other material terms relating to the payment of the related Awards have been satisfied shall be certified by the Committee in writing and delivered to the Secretary of the Company. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as a written certification. Notwithstanding the foregoing, each written certification by the Committee under this Section 6.1 shall be made by a date which will permit the Company to comply with the time of payment requirements of Sections 6.2 and 6.3 (after giving effect to the provisions of Section 6.7).

6.2 Eligibility for Payment of Awards. Subject to the delayed payment restrictions of Section 6.6, payments with respect to Awards shall be made as follows:

(a) NLTIP Awards and Stock Price Based RSU Awards. Upon the Committee's written certification in accordance with Section 6.1 that the applicable NLTIP Performance Target for an NLTIP Performance Period or the applicable Stock Price Based RSU Performance Target for a Stock Price Based RSU Performance Period and any other material terms relating to the payment of the related Awards have been satisfied, each Participant who has received an Award with respect to the relevant Performance Period for which the related Performance Target and other material terms have been satisfied, who has remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period and who has not surrendered such Award to the Company shall be entitled to the Payment Amount applicable to such Participant's Award for such Performance Period. Except as provided in Section 6.3(a) and Section 6.4(a), if a Participant's employment with the Company terminates for any reason whatsoever prior to the last day of an NLTIP Performance Period or Stock Price Based RSU Performance Period, then such Participant shall not be entitled to receive any payment under the Program with respect to his or her Award for such Performance Period, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company. Payment of the amount to which a Participant becomes entitled pursuant to this Section 6.2(a) shall be made by the Company on or before (i) in the case of an NLTIP Award, the 15th day of the third calendar month following the end of the applicable Performance Period, and (ii) in the case of a Stock Price Based RSU Award, the last day of the first calendar month following the end of the applicable Performance Period.

(b) Profit Based RSU Awards. If the Committee certifies in writing in accordance with Section 6.1 that a Profit Based RSU Performance Target has been achieved as of the last day of a Fiscal Year in a Profit Based RSU Performance Period, then each Participant who has received an Award with respect to such Performance Period for which the related Performance Target and other material terms (including the relevant Cash Hurdle for the Cash Hurdle Measurement Period) have been satisfied shall receive the following payments with respect to the achievement of such Performance Target as of the last day of such Fiscal Year, provided that such Participant remains continuously employed by the Company from the date he or she received such Award until the date of payment specified below:

(i) on the First Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such First Specified Payment Date;

(ii) on the Second Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Second Specified Payment Date; and

(iii) on the Third Specified Payment Date for such Fiscal Year, a payment in an amount equal to (A) one third of the number of RSUs subject to such Award as of such Specified Payment Date multiplied by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved at the end of such Fiscal Year multiplied by (C) the Market Value per Share as of such Third Specified Payment Date.

Notwithstanding the foregoing, if the Cash Hurdle for the relevant Profit Based RSU Performance Period has not been achieved as of an applicable Specified Payment Date set forth above and been certified by the Committee in writing in accordance with Section 6.1, then such Specified Payment Date shall be deferred and shall be deemed to occur on the next annual anniversary date of the original Specified Payment Date for which the Committee certifies in writing in accordance with Section 6.1 that such Cash Hurdle was achieved; provided, however, that if such Cash Hurdle is not so achieved on or before the first day of the 87th month following the end of the Fiscal Year to which such Specified Payment Date relates (or if such Cash Hurdle is not so achieved on or before the first day of the 99th month following the end of the Fiscal Year if such Specified Payment Date relates to the Fiscal Year ending on December 31, 2006), then no payment shall be made under this Section 6.2(b) for such Specified Payment Date with respect to the related Profit Based RSU Award. Except as provided in Section 6.3(b) and Section 6.4(b), if a Participant's employment with the Company terminates for any reason whatsoever prior to a payment date specified in this Section 6.2(b), then such Participant shall not be entitled to receive any payment with respect to his or her Profit Based RSU Award for such payment date or for any subsequent payment date, unless otherwise determined by the Administrator or otherwise provided in the Participant's employment agreement with the Company.

6.3 Death, Disability or Retirement.

(a) NLTIP Awards and Stock Price Based RSU Awards. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during an NLTIP Performance Period or a Stock Price Based RSU Performance Period with respect to which a Participant has received an Award, such Participant dies or becomes Disabled or Retires, then as to such Participant only (i) the Administrator, with respect to each Stock Price Based RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine whether the Market Value per Share at any date during such Performance Period that is on or before the date of such death, Disability or Retirement has been equal to or greater than the Target Price with respect to such Performance Period (in which case the Stock Price Based RSU Performance Target shall be deemed to have been met, as to such Participant only), (ii) the Administrator, with respect to each NLTIP Performance Period that began prior to the

date of such Participant's death, Disability or Retirement and which has not ended as of such date, shall as promptly as practicable determine (based on publicly available data with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date) the Company's EBITDAR Margin and the Entry EBITDAR Margin through the most recent practicable date and the Company's cash flow through the most recent practicable date, and the Company's resulting cash, cash equivalents and short term investments, excluding restricted cash, cash equivalents and short term investments at the most recent practicable date, and shall determine, based on such data and publicly available data with respect to the companies contained in the Industry Group (and, if deemed appropriate by the Administrator, annualizing or otherwise making assumptions with respect to any relevant data), whether the Company has achieved the relevant NLTIP Performance Target through such most recent practicable date (and if so, the NLTIP Performance Target shall be deemed to have been met, as to such Participant only), and (iii) the provisions of Sections 6.1 and 6.2(a) shall cease to apply with respect to each such Performance Period. Except as provided in Section 6.4(a) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, with respect to each such Stock Price Based RSU Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date that the Market Value per Share has been equal to or greater than the Target Price with respect to such Performance Period as described in clause (i) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (A) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (i) of the foregoing sentence (but in no event later than March 15 of the calendar year following the calendar year in which occurred the Participant's death, Disability or Retirement), equal to the relevant Payment Amount applicable to such Participant's Stock Price Based RSU Award for such Stock Price Based RSU Performance Period, and (B) not be entitled to any additional payment under the program with respect to such Stock Price Based RSU Performance Period, and with respect to each NLTIP Performance Period that began prior to the date of such Participant's death, Disability or Retirement and which has not ended as of such date with respect to which the NLTIP Performance Target has been satisfied in the manner described in clause (ii) of the preceding sentence, such Participant (or, in the case of death, such Participant's estate) shall (A) receive a payment from the Company, within five business days after the determination by the Administrator referred to in clause (ii) of the foregoing sentence (but in no event later than March 15 of the calendar year following the calendar year in which occurred the Participant's death, Disability or Retirement), equal to the relevant Payment Amount applicable to such Participant's NLTIP Award for such NLTIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIP Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the entire NLTIP Performance Period, and (B) not be entitled to any additional payment under the Program with respect to such NLTIP Performance Period.

(b) Profit Based RSU Awards. Except as provided in Section 6.4(b) and except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, if during a Profit Based RSU Performance Period with respect to which a Participant has received an Award (or after such Performance Period has ended but prior to the date such Participant has received all payments to which such Participant may have otherwise been entitled to under Section 6.2(b) if such Participant had continued to be employed by the Company), such Participant dies or becomes Disabled or Retires, then, as to such Participant only, such Participant shall receive payments in the amounts and at the times specified in Section 6.2(b) determined as if such Participant had remained continuously employed by the Company until the applicable payment date, except that:

(i) each such payment shall be multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for the relevant Profit Based RSU Performance Period and ending on the date such Participant died, became Disabled or Retired, and the denominator of which is the number of days in the period beginning on the first day of the relevant Profit Based RSU Performance Period and ending on the date of the applicable payment under Section 6.2(b); and

(ii) no payments shall be made to or for the benefit of such Participant with respect to any Profit Based RSU Performance Target that is achieved with respect to a Fiscal Year that begins after the date of such Participant's death, Disability or Retirement.

Notwithstanding the foregoing, except as specifically provided in a Participant's employment agreement or retirement agreement with the Company, (A) if a Change in Control occurs after the date of such Participant's death, Disability or Retirement, then each payment to which such Participant may still be entitled to pursuant to the preceding provisions of this Section 6.3(b) as of the date of such Change in Control that has not previously been paid to such Participant shall be paid to such Participant within five business days after the date of such Change in Control, and (B) each such payment shall be determined in the manner described in such provisions, except that (x) the denominator of the fraction described in clause (i) above shall be determined based upon the earliest date such payment could have otherwise been paid under Section 6.2(b) and (y) the amount of such payment shall be based on the Market Value per Share as of the date of such Change in Control (rather than as of the date specified in Section 6.2(b)).

6.4 Change in Control.

(a) NLTIP Awards and Stock Price Based RSU Awards. Upon the occurrence of a Change in Control, with respect to each Participant who is employed by the Company on the day immediately preceding the date of such Change in Control (or whose employment is terminated in connection therewith or in contemplation thereof), (i) the NLTIP Performance Targets and the Stock Price Based RSU Performance Targets, including achievement of the Stretch EBITDAR Margin, for each relevant Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied, and (ii) the provisions of Sections 6.1, 6.2(a) and 6.3(a) shall cease to apply with respect to each such Performance Period.

If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during a Stock Price Based RSU Performance Period described in the first paragraph of this Section 6.4(a) a Participant who has received a Stock Price Based RSU Award with respect to such Stock Price Based RSU Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such Stock Price Based RSU Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the Payment Amount applicable to such Participant's Stock Price Based RSU Award for such Stock Price Based RSU Performance Period, and (ii) not be entitled to any additional payment under the Program with respect to such Stock Price Based RSU Performance Period.

If a Change in Control occurs during an NLTIP Performance Period, then, on or before the Applicable Payment Date (as defined below) following the end of each calendar year in such NLTIP Performance Period ending on or after the date of such Change in Control, each Retirement Eligible Participant (as defined below) with respect to such calendar year who has received an NLTIP Award with respect to such NLTIP Performance Period shall receive a payment from the

Company equal to (i) the Payment Amount applicable to such Participant's NLTIIP Award for such NLTIIP Performance Period (determined as if such Participant had Retired on the last day of such calendar year) multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIIP Performance Period and ending on the last day of such calendar year, and the denominator of which is the number of days in the entire NLTIIP Performance Period, minus (ii) the aggregate payments, if any, made to such Participant pursuant to this paragraph with respect to prior calendar years. For purposes of the preceding sentence, (A) the "Applicable Payment Date" with respect to a calendar year shall mean the fifteenth day of the third calendar month following the end of such year (or, in the case of the last calendar year in an NLTIIP Performance Period, such term shall mean the fifth business day after the end of such year), and (B) a Participant shall be considered a "Retirement Eligible Participant" with respect to a calendar year if such Participant was eligible to Retire during such year and did not suffer a Qualifying Event, die, become Disabled or Retire during such year.

If a Change in Control occurs and thereafter (or in connection therewith or in contemplation thereof) during an NLTIIP Performance Period described in the first paragraph of this Section 6.4(a) a Participant who has received an NLTIIP Award with respect to such NLTIIP Performance Period suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then, with respect to each such NLTIIP Performance Period, such Participant (or, in the case of death, such Participant's estate) shall (i) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to (A) the Payment Amount applicable to such Participant's NLTIIP Award for such NLTIIP Performance Period multiplied by a fraction, the numerator of which is the number of days during the period beginning on the date of such Participant's commencement of participation in the Program for such NLTIIP Performance Period and ending on the date such Participant died, became Disabled, Retired or suffered the Qualifying Event, and the denominator of which is the number of days in the entire NLTIIP Performance Period, minus (B) the aggregate payments, if any, made or payable to such Participant pursuant to the third paragraph of this Section 6.4(a) with respect to calendar years that ended prior to the date of such Participant's Qualifying Event, death, Disability or Retirement, and (ii) not be entitled to any additional payment under the Program with respect to such NLTIIP Performance Period (other than any unpaid amount owed to such Participant pursuant to the third paragraph of this Section 6.4(a) with respect to a calendar year that ended prior to the date of such Participant's Qualifying Event, death, Disability or Retirement).

If a Change in Control occurs and a Participant who has received an Award with respect to an NLTIIP Performance Period or a Stock Price Based RSU Performance Period described in the first paragraph of this Section 6.4(a) did not die, become Disabled, Retire or suffer a Qualifying Event during such Performance Period and such Participant remained continuously employed by the Company from the date he or she received such Award until the last day of such Performance Period, then, with respect to each such Performance Period, such Participant shall receive a payment from the Company within five business days after the last day of such Performance Period in an amount equal to (i) the Payment Amount applicable to such Participant's Award for such Performance Period, minus (ii) in the case of an Award with respect to an NLTIIP Performance Period, the aggregate payments, if any, made or payable to such Participant pursuant to the third paragraph of this Section 6.4(a) with respect to such Award.

(b) Profit Based RSU Awards. Upon the occurrence of a Change in Control, (i) the Cash Hurdle for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and for which a potential for payment under Sections 6.2(b) or 6.3(b) exists as of the date of such Change in Control shall be deemed to have been satisfied, and (ii) the Profit Based RSU Performance Targets for each Profit Based RSU Performance Period that began prior to the date of such Change in Control and which has not ended as of such date shall be deemed to have been satisfied for the Fiscal Year in which the Change in Control occurs at the Cumulative Profit Sharing Pool Target Level specified by the Committee for purposes of this Section 6.4(b) at the time of grant of the related Award (provided that this clause (ii) shall not be applicable with respect to any such Profit Based RSU Performance Period if such Profit Based RSU Performance Target was satisfied in a Fiscal Year that ended prior to the Fiscal Year in which such Change in Control occurs at such Cumulative Profit Sharing Pool Target Level or a higher level). Notwithstanding any provision in the Program to the contrary, upon the occurrence of a Change in Control, no Profit Based RSU Performance Target may be achieved with respect to a Fiscal Year that begins after the date of such Change in Control, and no payments shall be made to or for the benefit of any Participant with respect to any Profit Based RSU Performance Target that would have otherwise been achieved for any such Fiscal Year.

If a Change in Control occurs, then the provisions of Sections 6.2(b) and 6.3(b) shall continue to apply to the Profit Based RSU Performance Periods described in the preceding paragraph with the following modifications:

(i) certification by the Committee under Section 6.1 of the achievement of the relevant Profit Based RSU Performance Target and Cash Hurdle shall not be required;

(ii) the Payment Amount described in Section 6.2(b) as of each applicable Specified Payment Date that occurs after the date of such Change in Control shall be based on the Market Value per Share as of the date of such Change in Control (rather than the Market Value per Share as of such Specified Payment Date); and

(iii) if after such Change in Control (or in connection therewith or in contemplation thereof) and prior to receiving all payments pursuant to Section 6.2(b) with respect to such Profit Based RSU Performance Periods a Participant who has received a Profit Based RSU Award with respect to such Profit Based RSU Performance Periods suffers a Qualifying Event or subsequent to the Change in Control dies, becomes Disabled, or Retires, then such Participant (or, in the case of death, such Participant's estate) shall (A) within five business days after the occurrence of the Qualifying Event, death, Disability or Retirement, receive a payment from the Company equal to the aggregate of such remaining Payment Amounts, and (B) not be entitled to any additional payment under the Program with respect to such Payment Amounts; provided, however, that if a Participant who has received a Profit Based RSU Award with respect to such Profit Based RSU Performance Periods is eligible to Retire as of the date of such Change in Control or continues in employment with the Company after such Change in Control until the date such Participant first becomes eligible to Retire, and if such Participant does not suffer a Qualifying Event, die, become Disabled or Retire prior to such Participant's Applicable Retirement Date (as defined below), then the payments described in the preceding provisions of this clause (iii) shall not be made following such Participant's Retirement as provided above, but, rather, shall be made on or before the March 15 that next follows such Participant's Applicable Retirement Date.

For purposes of clause (iii) of the preceding sentence, a Participant's "Applicable Retirement Date" is the date that is five business days before March 15 of the calendar year next following the later of (x) the calendar year in which such Change in Control occurs or (y) the calendar year in which such Participant first became eligible to Retire.

6.5 Form of Payment of Awards. All payments to be made under the Program to a Participant with respect to an Award shall be paid in a single lump sum payment in cash; provided, however, that, to the extent permitted and subject to any limitations under the Incentive Plan 2000 and applicable laws and securities exchange rules, the Committee may, in its sole discretion, direct that payment of Profit Based RSU Awards and/or Stock Price Based RSU Awards be made

either (a) in shares of Company Stock, but if and only if at the time of payment the Company has an effective registration statement under the Securities Act of 1933, as amended, covering the issuance of Company Stock under the Program, or (b) in a combination of cash and/or shares of Company Stock. If the Committee elects to direct the Company to pay all or a portion of a payment due for Profit Based RSU Awards or Stock Price Based RSU Awards in shares of Company Stock, then:

(i) in the case of RSUs granted prior to January 1, 2007, the number of shares of Company Stock shall be determined by dividing the amount of such payment to be paid in shares of Company Stock by the Market Value per Share as of the date of the particular payment with respect to such Award (or, in the case of Stock Price Based RSU Awards, as of the date used to determine the Payment Amount with respect to such payment), and rounding such number down to the nearest whole share;

(ii) in the case of Stock Price Based RSU Awards granted on or after January 1, 2007, the number of shares of Company Stock shall be equal to the number of RSUs subject to the Award that are to be so paid in Company Stock; and

(iii) in the case of Profit Based RSU Awards granted on or after January 1, 2007, the number of shares of Company Stock shall be determined by multiplying (A) one third of the number of RSUs subject to such Award that are to be so paid in Company Stock by (B) the Profit Based RSU Payment Percentage applicable to the Cumulative Profit Sharing Pool Target Level achieved with respect to the payment to be made in shares on the Specified Payment Date, rounding such number of shares down to the nearest whole share.

6.6 Delayed Payment Restriction. With respect to a Participant who is identified as a specified employee (within the meaning of Section 409A(a)(2)(B)(i) of the Code and as determined by the Company in accordance with any of the methods permitted under the regulations issued under Section 409A of the Code) and who is to receive a payment hereunder (which payment is not a "short-term deferral" for purposes of Section 409A of the Code) on account of such Participant's separation from service (within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance thereunder, but excluding a separation from service by reason of death or Disability), the payment to such Participant shall not be made prior to the earlier of (a) the date that is six months after the Participant's termination of employment or (b) the date of death of the Participant. In such event, any payment to which the Participant would have otherwise been entitled during the first six months following the Participant's termination of employment (or, if earlier, prior to the Participant's date of death) shall be accumulated and paid in the form of a single lump sum payment to the Participant on the date that is six months after the Participant's termination of employment or to the Participant's estate on the date of the Participant's death, as applicable.

6.7 Time of Payment Obligations. Any obligation hereunder to make a payment on a specified date shall be deemed to have been satisfied in the event that such payment is made within five business days after such specified date; provided, however, that, with respect to a payment that is intended to qualify as a "short-term deferral" under Section 409A of the Code, in no event shall such payment be made later than the date required in order for such payment to so qualify.

VII. TERMINATION AND AMENDMENT OF PROGRAM

7.1 Termination and Amendment. Subject to the terms of this Section 7.1, the Committee may amend the Program at any time and from time to time, and the Committee may at any time terminate the Program (in its entirety or as it applies to one or more specified Subsidiaries) with respect to Performance Periods that have not commenced as of the date of such Committee action; provided, however, that, (a) except as provided in the following sentence, the Program may not be amended in a manner that would impair the rights of any Participant with respect to any outstanding Award without the consent of such Participant, and (b) to the extent required by Section 409A of the Code, the Program may not be amended or terminated in a manner that would give rise to an impermissible acceleration of the time or form of a payment of a benefit under the Program pursuant to Section 409A(a)(3) of the Code and any regulations or guidance issued thereunder. Notwithstanding anything in the Program or an Award Notice to the contrary, if the Committee determines that the terms of the Program and/or any Award Notice do not, in whole or in part, satisfy the requirements of Section 409A of the Code (or the requirements for an exemption to the application of Section 409A of the Code), then the Committee, in its sole discretion, may unilaterally modify the Program and any such Award Notice in such manner as it deems appropriate to comply with such section and any regulations or guidance issued thereunder (or to qualify for an exemption to the application of such section). No Participant's participation herein may be terminated in contemplation of or in connection with a Change in Control. The Program may not be amended or terminated in contemplation of or in connection with a Change in Control unless adequate and effective provision for the making of all payments otherwise payable pursuant to Section 6.4 of the Program (as in effect on the date of the adoption of this amendment and restatement of the Program by the Committee) with respect to such Change in Control shall be made in connection with any such amendment or termination. The Committee shall remain in existence after the termination of the Program for the period determined necessary by the Committee to facilitate the termination of the Program and the payment of any outstanding Awards hereunder, and all provisions of the Program that are necessary, in the opinion of the Committee, for equitable operation of the Program during such period shall remain in force.

VIII. MISCELLANEOUS PROVISIONS

8.1 No Effect on Employment Relationship. Except as expressly provided otherwise herein, for all purposes of the Program, a Participant shall be considered to be in the employment of the Company as long as he or she has not incurred a separation from service with the Company and its affiliates within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued thereunder; provided, however, that whether such a separation from service has occurred shall be determined based upon a reasonably anticipated permanent reduction in the level of bona fide services to be performed to no more than 20% (or 49% if the Participant will no longer serve as an officer of the Company) of the average level of bona fide services provided in the immediately preceding 36 months. Nothing in the adoption of the Program, the grant of Awards, or the payment of amounts under the Program shall confer on any person the right to continued employment by the Company or any Subsidiary or affect in any way the right of the Company (or a Subsidiary, if applicable) to terminate such employment at any time. Unless otherwise provided in a written employment agreement, the employment of each Participant shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Participant or the Participant's employer for any reason whatsoever, with or without cause. Any question as to whether and when there has been a termination of a Participant's employment for purposes of the Program, and the reason for such termination, shall be determined solely by and in the discretion of the Administrator, and its determination shall be final, binding, and conclusive on all parties.

8.2 Prohibition Against Assignment or Encumbrance. No Award or other right, title, interest, or benefit hereunder shall ever be assignable or transferable, or liable for, or charged with any of the torts or obligations of a Participant or any person claiming under a Participant, or be subject to seizure by any creditor of a Participant or any person claiming under a Participant. No Participant or any person claiming under a Participant shall have the power to anticipate or dispose of any Award or other right, title, interest, or benefit hereunder in any manner

until the same shall have actually been distributed free and clear of the terms of the Program. Payments with respect to an Award shall be payable only to the Participant (or (a) in the event of a Disability that renders such Participant incapable of conducting his or her own affairs, any payment due under the Program to such Participant shall be made to his or her duly appointed legal representative and (b) in the event of the death of a Participant, any payment due under the Program to such Participant shall be made to his or her estate). Notwithstanding the preceding provisions of this paragraph, the Administrator shall comply with the terms of any qualified domestic relations order (as defined in the Incentive Plan 2000) providing for the transfer or assignment of all or any portion of a Participant's interest under the Program. The provisions of the Program shall be binding on all successors and permitted assigns of a Participant, including without limitation the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned officer of the Company acting pursuant to authority granted to him by the Committee has executed this instrument effective as of October 15, 2007.

CONTINENTAL AIRLINES, INC.

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By: /s/ Jeffery A. Smisek

Jeffery A. Smisek
President

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CERTIFICATION

I, Lawrence W. Kellner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 18, 2007

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/s/ Lawrence W. Kellner

Lawrence W. Kellner

Chairman of the Board and

Chief Executive Officer

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CERTIFICATION

I, Jeffrey J. Misner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Continental Airlines, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 18, 2007

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/s/ Jeffrey J. Misner

Jeffrey J. Misner

Executive Vice President and

Chief Financial Officer

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Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

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

The Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2007 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

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Dated: October 18, 2007

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/s/ Lawrence W. KellnerLawrence W. KellnerChairman of the Board andChief Executive Officer

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/s/ Jeffrey J. MisnerJeffrey J. MisnerExecutive Vice President andChief Financial Officer

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