

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, 1999

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 0-9781

CONTINENTAL AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

74-2099724

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

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

713-324-2950

(Registrant's telephone number, including area code)

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

As of October 15, 1999, 11,379,349 shares of Class A common stock and 57,871,179 shares of Class B common stock were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Operating Revenue:				
Passenger	\$2,104	\$1,969	\$6,032	\$5,571
Cargo and mail.	76	66	213	202
Other	103	81	292	233
	2,283	2,116	6,537	6,006
Operating Expenses:				
Wages, salaries and related costs.	644	581	1,882	1,599
Aircraft fuel	208	181	512	554
Aircraft rentals.	197	164	570	482
Maintenance, materials and repairs.	156	150	454	455
Commissions	154	155	439	448

Other rentals and landing fees	130	110	365	310
Depreciation and amortization	93	75	266	215
Fleet disposition/impairment losses:				
Jet	-	65	-	65
Turboprop	-	57	-	57
Other	489	435	1,421	1,248
	2,071	1,973	5,909	5,433
Operating Income	212	143	628	573
Nonoperating Income (Expense):				
Interest expense	(58)	(47)	(168)	(131)
Interest capitalized	13	14	42	42
Interest income	16	16	46	42
Other, net	(6)	(1)	3	11
	(35)	(18)	(77)	(36)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Income before Income Taxes, Cumulative Effect of a Change in Accounting Principle and Extraordinary Charge	\$ 177	\$ 125	\$ 551	\$ 537
Income Tax Provision	(67)	(49)	(214)	(206)
Distributions on Preferred Securities of Trust, Net of Applicable Income Taxes of \$2 and \$6, in 1998, respectively	-	(3)	-	(10)
Income before Cumulative Effect of a Change in Accounting Principle and Extraordinary Charge	110	73	337	321
Cumulative Effect of a Change in Accounting Principle, Net of Applicable Income Taxes of \$3	-	-	(6)	-
Extraordinary Charge, Net of Applicable Income Taxes of \$2	-	-	-	(4)
Net Income	\$ 110	\$ 73	\$ 331	\$ 317

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Earnings per Share:				
Income Before Cumulative				
Effect of Change in				
Accounting Principle				
and Extraordinary				
Charge	\$ 1.56	\$ 1.21	\$ 4.81	\$ 5.33
Cumulative Effect of a				
Change in Accounting				
Principle, net of tax	-	-	(0.08)	-
Extraordinary Charge,				
net of tax	-	-	-	(0.06)
Net Income	\$ 1.56	\$ 1.21	\$ 4.73	\$ 5.27
Earnings per Share				
Assuming Dilution:				
Income Before Cumulative				
Effect of Change in				
Accounting Principle and				
Extraordinary Charge.	\$ 1.53	\$ 0.97	\$ 4.51	\$ 4.15
Cumulative Effect of a				
Change in Accounting	-	-	(0.07)	-
Principle, net of tax				
Extraordinary Charge,				
net of tax	-	-	-	(0.05)
Net Income	\$ 1.53	\$ 0.97	\$ 4.44	\$ 4.10

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,	December 31,
	1999	1998
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$1,145	\$1,399
Short-term investments	155	-
Accounts receivable, net	606	449
Spare parts and supplies, net	225	166

Deferred income taxes	234	234
Prepayments and other	155	106
Total current assets	2,520	2,354
Property and Equipment:		
Owned property and equipment:		
Flight equipment	3,460	2,459
Other	793	632
	4,253	3,091
Less: Accumulated depreciation	780	625
	3,473	2,466
Purchase deposits for flight equipment	489	410
Capital leases:		
Flight equipment	360	361
Other	60	56
	420	417
Less: Accumulated amortization	201	178
	219	239
Total property and equipment	4,181	3,115
Other Assets:		
Routes, gates and slots, net	1,143	1,181
Investments	180	151
Other assets, net	272	285
Total other assets	1,595	1,617
Total Assets	\$8,296	\$7,086

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

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 1999	December 31, 1998
	(Unaudited)	
Current Liabilities:		
Current maturities of long-term debt	\$ 223	\$ 184
Current maturities of capital leases	43	47
Accounts payable	830	843
Air traffic liability	1,073	854
Accrued payroll and pensions	257	265
Accrued other liabilities	268	249
Total current liabilities	2,694	2,442
Long-Term Debt	2,847	2,267
Capital Leases	183	213
Deferred Credits and Other Long-Term Liabilities:		
Deferred income taxes	583	372
Accruals for aircraft retirements and excess facilities	61	95
Other	367	393
Total deferred credits and other long-term liabilities	1,011	860
Commitments and Contingencies		
Continental-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust Holding Solely Convertible Subordinated		

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

September 30, December 31,
 1999 1998
 (Unaudited)

Stockholders' Equity:

Class A common stock - \$.01 par, 50,000,000 shares authorized; 11,379,349 and 11,406,732 shares issued and outstanding in 1999 and 1998, respectively	\$ -	\$ -
Class B common stock - \$.01 par, 200,000,000 shares authorized; 63,923,431 and 53,370,741 shares issued, respectively	1	1
Additional paid-in capital	867	634
Retained earnings	990	659
Accumulated other comprehensive loss. . .	(70)	(88)
Treasury stock - 5,602,818 and 399,524 Class B shares, respectively, at cost. . .	(227)	(13)
Total stockholders' equity	1,561	1,193
Total Liabilities and Stockholders' Equity	\$8,296	\$7,086

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

Nine Months
 Ended September 30,
 1999 1998
 (Unaudited)

Net Cash Provided by Operating Activities	\$ 679	\$ 797
Cash Flows from Investing Activities:		
Purchase deposits paid in connection with future aircraft deliveries	(950)	(583)
Purchase deposits refunded in connection with aircraft delivered	815	540
Capital expenditures	(513)	(492)
Purchase of short-term investments	(155)	(44)
Proceeds from disposition of property and equipment	27	67
Proceeds from sale of investments	20	9
Investment in partner airlines	-	(53)
Other	(2)	(27)
Net cash used by investing activities	(758)	(583)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt, net	369	477
Purchase of Class B common stock	(344)	(191)
Payments on long-term debt and capital lease obligations	(243)	(375)
Proceeds from issuance of common stock	29	51
Dividends paid on preferred securities of trust	-	(16)
Proceeds from sale-leaseback transactions	14	41
Net cash used by financing activities	(175)	(13)
Net (Decrease) Increase in Cash and Cash Equivalents	(254)	201
Cash and Cash Equivalents - Beginning of Period	1,399	1,025
Cash and Cash Equivalents - End of Period	\$1,145	\$1,226

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

Nine Months
 Ended September 30,
 1999 1998
 (Unaudited)

Supplemental Cash Flow Information:		
Interest paid	\$ 146	\$ 98
Income taxes paid	\$ 9	\$ 13
Investing and Financing Activities		
Not Affecting Cash:		
Property and equipment acquired through the issuance of debt	\$ 673	\$ 335
Capital lease obligations incurred	\$ 21	\$ 111
Conversion of trust originated preferred securities	\$ 111	\$ -
Conversion of 6-3/4% Convertible Subordinated Notes	\$ 230	\$ -

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

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

In the opinion of management, the unaudited consolidated financial statements included herein contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Such adjustments are of a normal, recurring nature. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Annual Report of Continental Airlines, Inc. (the "Company" or "Continental") on Form 10-K for the year ended December 31, 1998 (the "1998 10-K").

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

NOTE 1 - EARNINGS PER SHARE

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

	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1999	
	1998	1998	1998	1998
Numerator:				
Income before cumulative effect of change in accounting principle and extraordinary charge	\$110	\$ 73	\$337	\$321
Cumulative effect of change in accounting principle	-	-	(6)	-
Extraordinary charge	-	-	-	(4)
Numerator for basic earnings per share - net income	110	73	331	317
Effect of dilutive securities:				
Preferred Securities of Trust	-	3	-	9
6-3/4% convertible subordinated notes	-	2	4	6
	110	5	4	15
Numerator for diluted earnings per share - net income after assumed conversions	\$110	\$ 78	\$335	\$332
Denominator:				
Denominator for basic earnings per share - weighted-average shares	70.8	60.3	70.1	60.0
Effect of dilutive securities:				
Employee stock options	1.3	1.7	1.4	1.9
Warrants	-	-	-	1.1
Preferred Securities of Trust	-	10.3	0.1	10.3
6-3/4% convertible subordinated notes	-	7.6	3.9	7.6
Dilutive potential common shares	1.3	19.6	5.4	20.9
Denominator for diluted earnings per share - adjusted weighted-average and assumed conversions	72.1	79.9	75.5	80.9

NOTE 2 - INCOME TAXES

Income taxes for the three and nine months ended September 30, 1999 and 1998 were provided at the estimated annual effective tax rate. Such rate differs from the federal statutory rate of 35%, primarily due to state income taxes and the effect of certain expenses that are not deductible for income tax purposes.

At December 31, 1998, the Company had estimated net operating losses ("NOLs") of \$1.1 billion for federal income tax purposes that will expire through 2009 and federal investment tax credit carryforwards of \$45 million that will expire through 2001. As a result of a change in ownership of the Company on April 27, 1993, the ultimate utilization of the Company's NOLs and investment tax credits may be limited. Reflecting this limitation, the Company had a valuation allowance of \$263 million as of December 31, 1998.

To the extent the Company were to determine in the future that additional NOLs of the Company's predecessor could be recognized in the accompanying consolidated financial statements, such benefit would reduce the value ascribed to routes, gates and slots.

NOTE 3 - COMPREHENSIVE INCOME

The Company includes unrealized gains and losses on available-for-sale securities, changes in minimum pension liabilities and changes in the fair value of derivative financial instruments which qualify for hedge accounting in other comprehensive income. During the third quarter of 1999 and 1998, total comprehensive income amounted to \$109 and \$70 million, respectively. For the nine months ended 1999 and 1998, total comprehensive income amounted to \$349 million and \$313 million, respectively. The significant difference between net income and total comprehensive income during the first nine months of 1999 was attributable to the \$18 million net increase in fair value (net of applicable income taxes and hedge ineffectiveness) related to petroleum call options held by the Company as of September 30, 1999 to hedge a portion of anticipated jet fuel purchases through December 1999.

NOTE 4 - ACCOUNTING PRONOUNCEMENTS

Continental adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") in the first quarter of 1999. SOP 98-5 amended Statement of Position 88-1, "Accounting for Developmental and Preoperating Costs, Purchases and Exchanges of Take-Off and Landing Slots, and Airframe Modifications" by requiring preoperating costs related to the integration of new types of aircraft to be expensed as incurred and requiring all unamortized start-up costs (e.g., pilot training costs related to induction of new aircraft) to be expensed upon adoption. This resulted in the Company recording a \$6 million cumulative effect of a change in accounting principle, net of tax, in the first quarter of 1999.

On September 23, 1999, the Emerging Issues Task Force of the Financial Accounting Standards Board reached a consensus on Issue No. 99-13, "Application of EITF Issue No. 97-10, The Effect of Lessee Involvement in Asset Construction, and FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority, to Entities that Enter into Leases with Governmental Entities", which may require certain future financings related to airport construction projects to be recorded on the balance sheet. Previously, these types of transactions were generally recorded as operating leases. The Company does not expect the change in accounting treatment to have a material impact on its results of operations.

This consensus applies to construction projects committed to after September 23, 1999, and also to those projects that were committed to on or before such date, if construction does not commence by March 31, 2000.

NOTE 5 - SHORT-TERM INVESTMENTS

The Company invests in commercial paper with original maturities in excess of 90 days but less than 270 days. These investments are classified as short-term investments in the consolidated balance sheet. Short-term investments are stated at cost, which approximates market value.

NOTE 6 - PREFERRED SECURITIES OF TRUST

In December 1998, the Company called for redemption its remaining 8-1/2% Convertible Trust Originated Preferred Securities ("TOPrS") then outstanding. As a result, the remaining 2.3 million TOPrS were converted into 4.8 million shares of Class B common stock during January 1999.

NOTE 7 - 6-3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2006

On April 15, 1999, the Company exercised its right and called for redemption on May 25, 1999, all \$230 million of its 6-3/4% Convertible Subordinated Notes due 2006. The notes were converted into 7.6 million shares of Class B common stock during May 1999.

NOTE 8 - REGULATORY MATTERS

As more fully described in the Risk Factors section of the Company's 1998 10-K, airlines are subject to extensive regulatory and legal compliance requirements that engender significant costs and in some cases reduce revenue. For instance, "passenger bill of rights" legislation has been introduced in Congress that would, among other things, require the payment of compensation to passengers as a result of certain delays, and limit the ability of carriers to prohibit or restrict usage of certain tickets in manners currently prohibited or restricted. The Department of Transportation (the "DOT") has proposed rules that would significantly limit major carriers' ability to compete with new entrant carriers. If adopted, these measures could have the effect of raising ticket prices, reducing revenue and increasing costs.

The Federal Aviation Administration has designated John F. Kennedy International Airport ("John F. Kennedy"), New York LaGuardia Airport ("LaGuardia"), Chicago O'Hare International Airport ("O'Hare") and Ronald Reagan Washington National Airport in Washington, D.C. ("Reagan National") as "high density traffic airports" and has limited the number of departure and arrival slots at those airports. Currently, such slots may be voluntarily sold or transferred between carriers. The DOT has in the past reallocated slots to other carriers and reserves the right to withdraw slots. Various amendments to the slot system proposed from time to time could, if adopted, significantly affect operations at high density traffic airports, significantly change the value of the slots, grant slots to other carriers or for route or aircraft specific usage, expand slots to other airports or eliminate slots entirely. The DOT has proposed the elimination of slot restrictions at high density airports other than Reagan National. Legislation containing a similar proposal, which could eliminate slots as early as 2002 at O'Hare and 2007 at LaGuardia and John F. Kennedy, and which doubles the maximum passenger facilities charges permitted to be charged by airport authorities, has passed the full House of Representatives and the full Senate and is currently being considered by a conference committee. The

Company cannot predict whether any of these proposals will be adopted. However, if legislation or regulation eliminating slots were adopted, the value of such slots could be deemed to be permanently impaired, resulting in a loss being charged to earnings for the relevant period. Moreover, the elimination of slots could have an adverse effect upon future results of operations of the Company.

NOTE 9 - OTHER

In January 1999, Continental's mechanics ratified an initial three-year collective bargaining agreement between the Company and the International Brotherhood of Teamsters ("IBT"). The contract becomes amendable in January 2002.

In February 1999, the Company completed an offering of \$806 million of pass-through certificates to be used to finance (either through leveraged leases or secured debt financings) the debt portion of the acquisition cost of 22 aircraft delivered in 1999.

The Company holds a membership interest in The SITA Foundation ("SITA"), an organization providing data communication services to the airline industry. SITA's primary asset is an ownership interest in Equant N.V. ("Equant"). In February 1999, SITA sold a portion of its Equant interest in a secondary public offering and distributed the pro rata proceeds to certain of its members (including Continental) that elected to participate in the offering. Continental recorded a gain of \$20 million (\$12 million after tax) related to this transaction. The gain is included in other nonoperating income (expense) in the accompanying consolidated statement of operations.

In March 1999, the Company obtained a \$160 million Credit Facility, with a maturity date of March 2001, to finance pre-delivery deposits for certain new Boeing aircraft to be delivered between March 1999 and March 2002.

On April 15, 1999, the Company announced a \$500 million increase in the size of its common stock repurchase program, bringing the total size of the program to \$800 million. As of October 15, 1999, the Company had repurchased 13.4 million shares of Class B common stock for \$585 million.

In May 1999, the Company completed an offering of \$742 million of pass-through certificates to be used to finance (through either leveraged leases or secured debt financings) the debt portion of the acquisition cost of 21 new Boeing aircraft scheduled for delivery from July 1999 to December 1999.

In August 1999, Express's mechanics ratified a four-year collective bargaining agreement between Express and the IBT. The contract becomes amendable in January 2003.

On September 22, 1999, the New Jersey Economic Development Authority completed the offering of \$730 million aggregate principal amount of tax-exempt special facility revenue bonds to finance a portion of Continental's Global Gateway Program at Newark International Airport. Major construction began in the third quarter of 1999 and is scheduled to be completed in 2002. The program includes construction of a new concourse in Terminal C and other facility improvements. Continental has unconditionally guaranteed the bonds and has entered into a long-term lease with the New Jersey Economic Development Authority under which rental payments will be sufficient to service the related bonds, which have a term of 30 years.

In September 1999, the Company and the International Association of Machinists and Aerospace Workers ("IAM") entered into collective bargaining negotiations to amend the Continental Airlines flight attendants' contract (which becomes amendable in December 1999). Also in September 1999, Express and the IAM entered into collective bargaining negotiations to amend the Express flight attendants' contract. The Express flight attendants' contract becomes amendable in November 1999.

During the nine months ended September 30, 1999, the Company recognized gains of approximately \$79 million on its fuel hedging program. The gains recognized during the quarter ending September 30, 1999 were \$42 million. The gains are included in fuel expense in the accompanying consolidated statement of operations.

In April 1998, the Company completed an offering of \$187 million of pass-through certificates to be used to refinance the debt related to 14 aircraft currently owned by Continental. In connection with this refinancing, Continental recorded a \$4 million after tax extraordinary charge to consolidated earnings in the second quarter of 1998.

In June 1998, the Company sold its remaining 317,140 shares of America West Holding Corporation ("America West") Class B common stock realizing net proceeds of approximately \$8.9 million and a gain of \$6 million.

NOTE 10 - 1998 FLEET DISPOSITION/IMPAIRMENT LOSSES

On August 11, 1998, the Company announced that Continental Micronesia, Inc. ("CMI"), a wholly owned subsidiary of the Company, planned to accelerate the retirement of its four Boeing 747 aircraft by April 1999 and its remaining thirteen Boeing 727 aircraft by December 2000. The Boeing 747s have been replaced by DC-10-30 aircraft and the Boeing 727 aircraft will be replaced with a reduced number of Boeing 737 aircraft. In addition, Continental Express, Inc. ("Express"), a wholly owned subsidiary of the Company, has accelerated the retirement of certain turboprop aircraft to the year 2000, including its fleet of 32 EMB-120 turboprop aircraft, as they will be replaced by regional jets.

In connection with its decision to accelerate the replacement of these aircraft, the Company performed an evaluation to determine, in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), whether future cash flows (undiscounted and without interest charges) expected to result from the use and eventual disposition of these aircraft will be less than the aggregate carrying amount of these aircraft and the related assets. As a result of the evaluation, management determined that the estimated future cash flows expected to be generated by these aircraft will be less than their carrying amount, and, therefore, these aircraft are impaired as defined by SFAS 121. Consequently, the original cost basis of these aircraft and related items was reduced to reflect the fair market value at the date the decision was made, resulting in a \$59 million fleet disposition/impairment loss. In determining the fair market value of these assets, the Company considered recent transactions involving sales of similar aircraft and market trends in aircraft dispositions. The remaining \$63 million of the fleet disposition/impairment loss includes cash and non-cash costs related primarily to future commitments on leased aircraft past the dates they will be removed from service and the write-down of related inventory to its estimated fair market value. The combined charge of \$122 million (\$77 million after tax) was recorded in the third quarter of 1998.

NOTE 11 - SUBSEQUENT EVENTS

Continental sold its interest in AMADEUS Global Travel Distribution, S.A. ("AMADEUS") for \$409 million, including a special dividend. The sale, which occurred as part of AMADEUS's initial public offering, closed on October 20, 1999 and will result in a fourth quarter pre-tax gain of approximately \$297 million (\$182 million after tax).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS.

The following discussion may contain forward-looking statements. In connection therewith, please see the risk factors set forth in the Company's 1998 10-K which identify important factors such as the Company's leverage and its liquidity, its history of operating losses, the cost of aircraft fuel, labor matters, certain tax matters, regional and global economic downturns, the significant ownership interest of Northwest Airlines in the Company and risks relating to the Company's strategic alliance with Northwest Airlines, year 2000 computer risk, competition and industry conditions, regulatory matters and the seasonal nature of the airline business, that could cause actual results to differ materially from those in the forward-looking statements.

Continental's results of operations are impacted by seasonality (the second and third quarters are generally stronger than the first and fourth quarters) as well as numerous other factors that are not necessarily seasonal, including the extent and nature of competition from other airlines, employee job actions (including at other airlines), fare sale activities, excise and similar taxes, changing levels of operations and capacity, fuel prices, foreign currency exchange rates, changes in regulations and aviation treaties and general economic conditions. Recently, industry capacity and growth in the transatlantic markets have resulted in lower yields and revenue per available seat mile in those markets, which trend is expected to continue in 2000. Although the results in Asia of CMI have declined in recent years, the Company has successfully redeployed CMI capacity into the stronger U.S. domestic markets and CMI's recent results continue to improve. Continental will continue to critically review its growth plans in light of industry conditions and will adjust or redeploy resources, including aircraft capacity, as necessary. In addition, management believes the Company is well positioned to respond to market conditions in the event of a sustained economic downturn for the following reasons: underdeveloped hubs with strong local traffic; a flexible fleet plan; a strong cash balance, a \$225 million unused revolving credit facility and a well developed alliance network.

RESULTS OF OPERATIONS

The following discussion provides an analysis of the Company's results of operations and reasons for material changes therein for the three and nine months ended September 30, 1999 as compared to the corresponding periods ended September 30, 1998.

Comparison of Three Months Ended September 30, 1999 to Three Months
Ended September 30, 1998

The Company recorded consolidated net income of \$110 million for the three months ended September 30, 1999 as compared to consolidated net income of \$73 million for the three months ended September 30, 1998. Net income during that period in 1998 was significantly impacted by a \$77 million (\$122 million before-tax) fleet disposition/ impairment loss resulting from the Company's decision to accelerate the retirement of certain jet and turboprop aircraft.

Passenger revenue increased 6.9%, \$135 million, during the quarter ended September 30, 1999 as compared to the same period in 1998, which was principally due to a 9.7% increase in revenue passenger miles, partially offset by a 3.6% decrease in yield and weather-related flight cancellations. The decrease in yield was due primarily to a 6.9% increase in average stage length.

Cargo and mail revenue increased 15.2%, \$10 million, in the third quarter of 1999 compared to third quarter of 1998 due to increased domestic and international volumes.

Other operating revenue increased 27.2%, \$22 million, in the three months ended September 30, 1999 as compared to the same period in the prior year, primarily due to an increase in revenue related to the Company's frequent flyer program ("OnePass").

Wages, salaries and related costs increased 10.8%, \$63 million, during the quarter ended September 30, 1999 as compared to the same period in 1998, primarily due to an 8.3% increase in average full-time equivalent employees to support increased flying and higher

wage rates resulting from the Company's decision to increase employee wages to industry standards by the end of the year 2000.

Aircraft fuel expense increased 14.9%, \$27 million, in the three months ended September 30, 1999 as compared to the same period in the prior year. The average price per gallon increased 9.2% from 44.59 cents in the third quarter of 1998 to 48.70 cents in the third quarter of 1999. In addition, the quantity of jet fuel used increased 3.9%, principally reflecting increased capacity offset in part by the increased fuel efficiency of the Company's younger fleet. This increase is net of gains of approximately \$42 million recognized during the third quarter of 1999 related to the Company's fuel hedging program. See "Fuel Hedging" below.

Aircraft rentals increased 20.1%, \$33 million, in the third quarter of 1999 compared to the third quarter of 1998, due to the delivery of new aircraft.

Commissions expense decreased 0.6%, \$1 million, in the three months ended September 30, 1999 compared to the same period in the prior year due to lower rates resulting from international commission caps and a lower volume of commissionable sales, partially offset by increased passenger revenue.

Other rentals and landing fees increased 18.2%, \$20 million, in the three months ended September 30, 1999 as compared to the same period in the prior year primarily due to higher facilities rent due to increased space, and higher landing fees resulting from increased operations.

Depreciation and amortization expense increased 24.0%, \$18 million, in the third quarter of 1999 compared to the third quarter of 1998 due principally to the addition of new aircraft and related spare parts.

Other operating expense increased 12.4%, \$54 million, in the three months ended September 30, 1999 as compared to the same period in the prior year, as a result of increases in reservations and sales expense, passenger services expense, aircraft servicing expense and other miscellaneous expense, resulting primarily from an increase in enplanements and revenue passenger miles.

Interest expense increased 23.4%, \$11 million, due to an increase in long-term debt resulting from the purchase of new aircraft and \$200 million of 8% unsecured senior notes issued in December 1998, partially offset by interest savings of \$4 million due to the conversion of the Company's 6-3/4% Convertible Subordinated Notes into Class B common stock.

The Company's other nonoperating income (expense) in the three months ended September 1999 includes losses on equity investments of \$5 million.

Comparison of Nine Months Ended September 30, 1999 to Nine Months Ended September 30, 1998

The Company recorded consolidated net income of \$331 million and \$317 million for the nine months ended September 30, 1999 and 1998, respectively. Net income in 1999 included the cumulative effect of a change in accounting principle charge (\$6 million, net of taxes) related to the write-off of pilot training costs. Net income in 1998 was significantly impacted by a \$77 million (\$122 million before-tax) fleet disposition/impairment loss resulting from the Company's decision to accelerate the retirement of certain jet and turboprop aircraft.

Passenger revenue increased 8.3%, \$461 million, during the nine months ended September 30, 1999 as compared to the same period in 1998. The increase was due to a 10.7% increase in revenue passenger miles, partially offset by a 3.1% decrease in yield and weather-related flight cancellations. The decrease in yield was due primarily to a 6.7% increase in average stage length.

Cargo and mail revenue increased 5.4%, \$11 million, in the nine months ended September 30, 1999 as compared to the nine months ended September 30, 1998 due to increased domestic and international volumes.

Other operating revenue increased 25.3%, \$59 million, in the nine months ended September 30, 1999 compared to the same period in the prior year primarily due to an increase in OnePass revenue.

Wages, salaries and related costs increased 17.7%, \$283 million, during the nine months ended September 30, 1999 as compared to the same period in 1998, primarily due to a 9.0% increase in average full-time equivalent employees to support increased flying and higher wage rates resulting from the Company's decision to increase employee wages to industry standards by the end of the year 2000.

Aircraft fuel expense decreased 7.6%, \$42 million, in the nine months ended September 30, 1999 as compared to the same period in the prior year. The average price per gallon decreased 11.9% from 47.66 cents in the first nine months of 1998 to 41.97 cents in the first nine months of 1999. This reduction was partially offset by a 3.9% increase in the quantity of jet fuel used principally reflecting increased capacity offset in part by the increased fuel efficiency of the Company's younger fleet. During the first nine months of 1999, the Company recognized approximately \$79 million in gains related to its fuel hedging program, which gains are included in aircraft fuel expense. See "Fuel Hedging" below.

Aircraft rentals increased 18.3%, \$88 million, during the nine months ended September 30, 1999 as compared to the same period in 1998, due to the delivery of new aircraft.

Commissions expense decreased 2.0%, \$9 million, during the nine months ended September 30, 1999 as compared to the same period in 1998 due to lower rates resulting from international commission caps and a lower volume of commissionable sales, partially offset

by increased passenger revenue.

Other rentals and landing fees increased 17.7%, \$55 million, primarily due to higher facilities rent due to increased rates and volume, and higher landing fees resulting from increased operations.

Depreciation and amortization expense increased 23.7%, \$51 million, in the first nine months of 1999 compared to the same period in 1998 primarily due to the addition of new aircraft and related spare parts. These increases were partially offset by approximately a \$5 million reduction in the amortization of routes, gates and slots resulting from the recognition of previously unbenefitted NOLs during 1998.

Other operating expense increased 13.9%, \$173 million, in the nine months ended September 30, 1999 as compared to the same period in the prior year, primarily as a result of increases in passenger services expense, aircraft servicing expense, reservations and sales expense and other miscellaneous expense, primarily due to an increase in enplanements and revenue passenger miles.

Interest expense increased 28.2%, \$37 million, due to an increase in long-term debt resulting from the purchase of new aircraft and \$200 million of 8% unsecured senior notes issued in December 1998, partially offset by interest savings of \$6 million due to the conversion of the Company's 6-3/4% Convertible Subordinated Notes into Class B common stock.

The Company's other nonoperating income (expense) in the nine months ended September 30, 1999 includes a \$20 million gain on the sale of a portion of the Company's indirect interest in Equant partially offset by foreign currency losses of \$10 million and losses on equity investments of \$5 million. Other nonoperating income (expense) in the first nine months of 1998 included a \$6 million gain on the sale of certain stock of America West.

Certain Statistical Information

An analysis of statistical information for Continental's jet operations, excluding regional jet operations, for the periods indicated is as follows:

	Three Months Ended September 30,		Net
	1999	1998	Increase/ (Decrease)
Revenue passenger miles (millions) (1) . . . . .	.16,394	14,944	9.7 %
Available seat miles (millions) (2) . . . . .	.21,573	19,642	9.8 %
Passenger load factor (3)	76.0%	76.1%	(0.1)pts.
Breakeven passenger load factor (4)	66.4%	62.8%	3.6 pts.
Passenger revenue per available seat mile (cents)	8.87	9.22	(3.8)%
Total revenue per available seat mile (cents)	9.81	10.06	(2.5)%
Operating cost per available seat mile (cents) (5)	8.90	8.82	0.9 %
Average yield per revenue passenger mile (cents) (6)	11.68	12.12	(3.6)%
Average fare per revenue passenger	\$.160.58	\$155.39	3.3 %
Revenue passengers (thousands) . . . . .	.11,922	11,655	2.3 %
Average length of aircraft flight (miles)	1,141	1,067	6.9 %
Average daily utilization of each aircraft (hours) (7)	10:44	10:20	3.9 %
Actual aircraft in fleet at end of period (8)	359	359	0.0 %

	Nine Months Ended September 30,		Net
	1999	1998	Increase/ (Decrease)
Revenue passenger miles (millions) (1) . . . . .	.45,050	40,691	10.7 %
Available seat miles (millions) (2) . . . . .	.60,961	55,739	9.4 %
Passenger load factor (3)	73.9%	73.0%	0.9 pts.
Breakeven passenger load factor (4)	64.0%	60.9%	3.1 pts.
Passenger revenue per available seat mile (cents)	9.06	9.24	(1.9)%
Total revenue per available seat mile (cents)	9.99	10.12	(1.3)%
Operating cost per available seat mile (cents) (5)	9.02	8.93	1.0 %
Average yield per revenue passenger mile (cents) (6)	12.27	12.66	(3.1)%
Average fare per revenue passenger	\$.161.61	\$156.17	3.5 %
Revenue passengers (thousands) . . . . .	.34,193	32,988	3.7 %
Average length of aircraft flight (miles)	1,110	1,040	6.7 %
Average daily utilization of each aircraft (hours) (7)	10:30	10:17	2.1 %
Actual aircraft in fleet at end of period (8)	359	359	0.0 %

Continental has entered into block-space arrangements with certain other carriers whereby one or both of the carriers is obligated to purchase capacity on the other. For the three months ended September 30, 1999 and September 30, 1998, the table above excludes 623 million and 554 million available seat miles, and related revenue passenger miles and enplanements, operated by Continental but purchased and marketed by the other carrier, and includes 261 million and 99 million available seat miles, and related revenue passenger miles and enplanements, operated by other carriers but purchased and marketed by Continental. For the nine months ended September 30, 1999 and September 30, 1998, the table above excludes

1.9 billion and 1.2 billion available seat miles, and related revenue passenger miles and enplanements, operated by Continental but purchased and marketed by the other carrier, and includes 751 million and 164 million available seat miles, and related revenue passenger miles and enplanements, operated by other carriers but purchased and marketed by Continental.

- (1) The number of scheduled miles flown by revenue passengers.
- (2) The number of seats available for passengers multiplied by the number of scheduled miles those seats are flown.
- (3) Revenue passenger miles divided by available seat miles.
- (4) The percentage of seats that must be occupied by revenue passengers in order for the airline to break even on an income before income taxes basis, excluding nonrecurring charges, nonoperating items and other special items.
- (5) 1998 excludes a fleet disposition/impairment loss totaling \$122 million.
- (6) The average revenue received for each mile a revenue passenger is carried.
- (7) The average number of hours per day that an aircraft flown in revenue service is operated (from gate departure to gate arrival).
- (8) Excludes four and six all-cargo 727 aircraft at CMI in 1999 and 1998, respectively. During the first nine months of 1999, the Company took delivery of 42 aircraft and removed 46 aircraft from service.

LIQUIDITY AND CAPITAL COMMITMENTS

In the first nine months of 1999, the Company completed several transactions intended to strengthen its long-term financial position and enhance earnings.

In February 1999, the Company completed an offering of \$806 million of pass-through certificates used to finance (either through leveraged leases or secured debt financings) the debt portion of the acquisition cost of 22 aircraft delivered in 1999.

In March of 1999, the Company completed a \$160 million Credit Facility, with a maturity date of March 2001, to finance pre-delivery deposits for certain new Boeing aircraft to be delivered between March 1999 and March 2002.

On April 15, 1999, the Company announced a \$500 million increase in the size of its common stock repurchase program, bringing the total size of the program to \$800 million. As of October 15, 1999, the Company had repurchased 13.4 million shares of Class B common stock for \$585 million.

Also on April 15, 1999, the Company exercised its right and called for redemption on May 25, 1999, all \$230 million of its 6-3/4% Convertible Subordinated Notes due 2006. The notes were converted into 7.6 million shares of Class B common stock during May 1999.

In May 1999, the Company completed an offering of \$742 million of pass-through certificates to be used to finance (either through leveraged leases or secured debt financings) the debt portion of the acquisition cost of 21 new Boeing aircraft scheduled for delivery from July 1999 to December 1999.

As of September 30, 1999, the Company had \$1.3 billion in cash and cash equivalents and short-term investments. Net cash provided by operating activities decreased \$118 million during the nine months ended September 30, 1999 compared to the same period in the prior year primarily due to changes in working capital. Net cash used by investing activities increased \$175 million for the nine months ended September 30, 1999 compared to the same period in the prior year, primarily as a result of increased purchases of short-term investments in 1999, and higher net purchase deposits paid in 1999 in connection with future aircraft deliveries. Net cash used by financing activities for the nine months ended September 30, 1999 compared to the same period in the prior year increased \$162 million primarily due to an increase in the purchase of the Company's Class B common stock.

Deferred Tax Assets. The Company had, as of December 31, 1998, deferred tax assets aggregating \$803 million, including \$372 million of NOLs and a valuation allowance of \$263 million. To the extent the Company were to determine in the future that additional NOLs of the Company's predecessor could be recognized in

the accompanying consolidated financial statements, such benefit would further reduce routes, gates and slots.

As a result of NOLs, the Company will not pay United States federal income taxes (other than alternative minimum tax) until it has recorded approximately an additional \$1.1 billion of taxable income following December 31, 1998. Section 382 of the Internal Revenue Code ("Section 382") imposes limitations on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period.

On November 20, 1998, an affiliate of Northwest Airlines, Inc. completed its acquisition of certain equity of the Company previously held by Air Partners, L.P. and its affiliates, together with certain Class A common stock of the Company held by certain other investors, totaling 8.7 million shares of Class A common stock (the "Air Partners Transaction"). Based on information currently available, the Company does not believe that the Air Partners Transaction resulted in an ownership change for purposes of Section 382.

Purchase Commitments. Continental has substantial commitments for capital expenditures, including for the acquisition of new aircraft. As of October 15, 1999, Continental had agreed to acquire a total of 88 Boeing jet aircraft through 2005. The Company anticipates taking delivery of 61 Boeing jet aircraft in 1999 (42 of which were delivered during the first nine months of 1999 and financed through enhanced equipment trust certificates, with the Company purchasing 22 of those aircraft and leasing the other 20). Continental also has options for an additional 119 Boeing aircraft (exercisable subject to certain conditions). The estimated aggregate cost of the Company's firm commitments for Boeing aircraft is approximately \$4.4 billion. Continental currently plans to finance its new Boeing aircraft with a combination of enhanced pass through trust certificates, lease equity and other third-party financing, subject to availability and market conditions. As of October 15, 1999, Continental had approximately \$559 million in financing arranged for such future Boeing deliveries. In addition, Continental has commitments or letters of intent for backstop financing for approximately 19% of the anticipated remaining acquisition cost of such Boeing deliveries. In addition, at October 15, 1999, Continental had firm commitments to purchase 36 spare engines related to the new Boeing aircraft for approximately \$190 million which will be deliverable through March 2005.

As of October 15, 1999, Express had firm commitments to acquire 23 Embraer ERJ-145 ("ERJ-145") 50-seat regional jets and 22 Embraer ERJ-135 ("ERJ-135") 37-seat regional jets, with options for an additional 125 ERJ-145 and 50 ERJ-135 aircraft exercisable through 2008. Express anticipates taking delivery of 19 ERJ-145 (16 of which were delivered in the first nine months of 1999) and six ERJ-135 (three of which were delivered in the first nine months of 1999) regional jets in 1999 and the remainder of its firm orders through the third quarter of 2001. Neither Express nor Continental will have any obligation to take any of the firm ERJ-145 or ERJ-135 aircraft that are not financed by a third-party and leased to Continental.

Additional financing will be needed to satisfy the Company's capital commitments for other aircraft and aircraft-related expenditures such as engines, spare parts, simulators and related items. There can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments. Deliveries of new Boeing aircraft are expected to continue to increase aircraft rental, depreciation and interest costs while generating cost savings in the areas of maintenance, fuel and pilot training.

At the beginning of the year, Continental estimated its cash outlays for 1999 capital expenditures, exclusive of fleet plan requirements, to aggregate \$254 million, primarily relating to mainframe, software application and automation infrastructure projects, aircraft modifications and mandatory maintenance projects, passenger terminal facility improvements and office, maintenance, telecommunications and ground equipment. Continental's capital expenditures during the nine months ended September 30, 1999 aggregated \$161 million, exclusive of fleet plan

expenditures.

The Company expects to fund its future capital commitments through internally generated funds together with general Company financings and aircraft financing transactions. However, there can be no assurance that sufficient financing will be available for all aircraft and other capital expenditures not covered by firm financing commitments.

Year 2000. The Year 2000 issue arises as a result of computer programs having been written using two digits (rather than four) to define the applicable year, among other problems. Any information technology ("IT") systems that have time-sensitive software might recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations and system failures. The problem also extends to many "non-IT" systems; that is, operating and control systems that rely on embedded chip systems. In addition, the Company is at risk from Year 2000 failures on the part of third-party suppliers and governmental agencies with which the Company interacts.

The Company uses a significant number of computer software programs and embedded operating systems that are essential to its operations. For this reason, the Company implemented a Year 2000 project in late 1996 so that the Company's computer systems would function properly in the year 2000 and thereafter. The Company's Year 2000 project involves the review of a number of internal and third-party systems. Each system is subjected to the project's five phases which consist of systems inventory, evaluation and analysis, modification implementation, user testing and integration compliance. The Company recently completed its systems review and believes that, with the modifications to its existing software and systems and/or conversions to new software it has made, the Year 2000 issue will not pose significant operational problems for its computer systems.

The Company anticipates completing its extensive communications and on-site visits with its significant suppliers, vendors and governmental agencies with which its systems interface and exchange data or upon which its business depends by November 15, 1999. The Company is coordinating efforts with these parties to minimize the extent to which its business may be vulnerable to their failure to remediate their own Year 2000 problems. The Company's business is dependent upon certain domestic and foreign governmental organizations or entities such as the Federal Aviation Administration ("FAA") that provide essential aviation industry infrastructure. There can be no assurance that the systems of such third parties on which the Company's business relies will be modified on a timely basis. The Company's business, financial condition or results of operations could be materially adversely affected by the failure of its equipment or systems or those operated by other parties to operate properly beyond 1999. Although the Company currently has day-to-day operational contingency plans, management is in the process of updating these plans for possible Year 2000-specific operational requirements and anticipates completing such updates by October 31, 1999. To facilitate the completion of these plans, the Company has hired an outside consultant. In addition, the Company will continue to monitor third-party (including governmental) readiness and will modify its contingency plans accordingly. While the Company does not currently expect any significant modification of its operations in response to the Year 2000 issue beyond normal demand-driven holiday schedule adjustments, in a worst-case scenario the Company could be required to suspend flights to certain locations or otherwise alter its operations significantly.

The total cost of the Company's Year 2000 project (excluding internal payroll) is currently estimated at \$19-20 million and has been and will be funded through cash from operations. As of September 30, 1999, the Company had incurred and expensed approximately \$19 million relating to its Year 2000 project. The cost of the Year 2000 project is limited by the substantial outsourcing of the Company's systems and the significant implementation of new systems in 1993. The costs of the Company's Year 2000 project and the date on which the Company believes it will be completed are based on management's best estimates and include assumptions regarding third-party modification plans. However, in particular due to the potential impact of third-party modification plans, there can be no assurance that these estimates will be achieved, and actual results could differ materially from those anticipated.

Bond Financings. In July 1996, the Company announced plans to expand its gates and related facilities into Terminal B at Bush Intercontinental Airport, as well as planned improvements at Terminal C and the construction of a new automated people mover system linking Terminal B and Terminal C. The majority of the Company's expansion project has been completed. In April 1997 and January 1999, the City of Houston completed the offering of \$190 million and \$46 million, respectively, aggregate principal amount of tax-exempt special facilities revenue bonds (the "IAH Bonds"). The IAH Bonds are unconditionally guaranteed by Continental. In connection therewith, the Company has entered into long-term leases (or amendments to existing leases) with the City of Houston providing for the Company to make rental payments sufficient to service the related tax-exempt bonds, which have a term no longer than 30 years.

In September 1999, the City of Cleveland, Ohio (the "City of Cleveland") completed the issuance of \$71 million aggregate

principal amount of tax-exempt bonds. The bond proceeds were used to refinance \$75 million aggregate principal amount in bonds originally issued by the City of Cleveland in 1990 for the purpose of constructing certain terminal and other improvements at Cleveland Hopkins International Airport. Continental has unconditionally guaranteed the bonds and has a long-term lease with the City of Cleveland under which rental payments will be sufficient to service the related bonds, which have a term of 20 years. Continental estimates that it will save approximately \$44 million in debt service payments over the 20-year term as a result of the refinancing.

On September 22, 1999, the New Jersey Economic Development Authority completed the offering of \$730 million aggregate principal amount of tax-exempt special facility revenue bonds to finance a portion of Continental's Global Gateway Program at Newark International Airport. Major construction began in the third quarter of 1999 and is scheduled to be completed in 2002. The program includes construction of a new concourse in Terminal C and other facility improvements. Continental has unconditionally guaranteed the bonds and has entered into a long-term lease with the New Jersey Economic Development Authority under which rental payments will be sufficient to service the related bonds, which have a term of 30 years.

Employees. In September 1997, the Company announced a plan to bring all employees to industry standard wages no later than the end of the year 2000. Wage increases began in 1997, and will continue to be phased in through 2000.

In January 1999, Continental's mechanics ratified an initial three-year collective bargaining agreement between the Company and the IBT. The contract becomes amendable in January 2002.

On June 4, 1999, following a mail ballot election, the National Mediation Board ("NMB") determined that fewer than 29% of the Company's and Express's 8,000 fleet service employees desired to be represented by the IAM, and dismissed the IAM's representation petition. Pursuant to the NMB's rules there is a one-year bar from the date of the dismissal on union organizing for such workgroup.

In August 1999, Express's mechanics ratified a four-year collective bargaining agreement between Express and the IBT. The contract becomes amendable in January 2003.

In September 1999, the Company and the IAM entered into collective bargaining negotiations to amend the Continental Airlines flight attendants' contract (which becomes amendable in December 1999). Also in September 1999, Express and the IAM entered into collective bargaining negotiations to amend the Express flight attendants' contract. The Express flight attendants' contract becomes amendable in November 1999.

In addition, the Company's and Express's flight attendants, pilots and dispatchers are represented by unions as are CMI's flight attendants, mechanics and related employees and agents. The other employees of Continental, Express and CMI are not represented and are not covered by collective bargaining agreements.

Fuel Hedging. The Company uses a combination of petroleum swap contracts, petroleum call options, and jet fuel purchase commitments to provide some short-term protection against a sharp increase in jet fuel prices. During the third quarter, the Company entered into petroleum call options to hedge jet fuel prices for approximately 95% of its anticipated fuel requirements through December 1999. The fair value was approximately \$32 million at September 30, 1999 and has been recorded in other assets with the offset to accumulated other comprehensive loss, net of applicable income taxes and hedge ineffectiveness. As of October 15, 1999, the fair value of the petroleum call options was approximately \$24 million.

Other. Management believes that the Company's costs are likely to be affected in the future by (i) higher aircraft ownership costs as new aircraft are delivered, (ii) higher wages, salaries and related costs as the Company compensates its employees comparable to industry average, (iii) changes in the costs of materials and services (in particular, the cost of fuel, which can fluctuate significantly in response to global market conditions), (iv) changes in distribution costs and structure, (v) changes in governmental regulations and taxes affecting air transportation and

the costs charged for airport access, including new security requirements, (vi) changes in the Company's fleet and related capacity and (vii) the Company's continuing efforts to reduce costs throughout its operations, including reduced maintenance costs for new aircraft, reduced distribution expense from using Continental's electronic ticket product and the internet for bookings, and reduced interest expense.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information called for by this item is provided under the caption "Fuel Hedging" under Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations. Also see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Continental's 1998 10-K.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

- 10.1 Special Facilities Lease Agreement dated as of December 1, 1989 by and between the Company and the City of Cleveland, Ohio regarding Cleveland Hopkins International Airport (the "1989 SFLA").
- 10.1(a) First Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA.
- 10.1(b) Second Supplemental Special Facilities Lease Agreement dated as of March 1, 1998, and relating to the 1989 SFLA.
- 10.2 Amendment to Employment Agreement between the Company and Gordon M. Bethune, dated as of September 16, 1999.
- 10.3 Amendment to Employment Agreement between the Company and Gregory D. Brenneman, dated as of September 16, 1999.
- 10.4 Amended and Restated Employment Agreement between the Company and Lawrence W. Kellner, dated as of September 16, 1999.
- 10.5 Amended and Restated Employment Agreement between the Company and C.D. McLean, dated as of September 16, 1999.

- 10.6 Amended and Restated Employment Agreement between the Company and Jeffery A. Smisek, dated as of September 16, 1999.
- 10.7 Supplemental Agreement No. 16, including side letters, to Boeing Purchase Agreement No. 1783, dated July 2, 1999.
- 10.8 Supplemental Agreement No. 12 to Boeing Purchase Agreement No. 1951, dated July 2, 1999.
- 10.9 Supplemental Agreement No. 1, including side letters, to Boeing Purchase Agreement No. 2211, dated July 2, 1999.
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

- (i) None.

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 25, 1999 by: /s/ Lawrence W. Kellner
Lawrence W. Kellner
Executive Vice President and
Chief Financial Officer
(On behalf of Registrant)

Date: October 25, 1999 /s/ Chris Kenny
Chris Kenny
Staff Vice President and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS
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(1)
- 27.1 Financial Data Schedule.

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

CLEVELAND HOPKINS INTERNATIONAL AIRPORT

SPECIAL FACILITIES LEASE AGREEMENT

WITH

CONTINENTAL AIRLINES, INC.

 \$76,320,000

City of Cleveland, Ohio
 Airport Special
 Revenue Bonds, Series 1990
 (Continental Airlines, Inc. Project)

Dated as of
 December 1, 1989

Calfee, Halter & Griswold
 Bond Counsel

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THIS SPECIAL FACILITIES LEASE AGREEMENT (the "Agreement"), made and entered into this 1st day of December, 1989, by and between the CITY OF CLEVELAND, a municipal corporation and political subdivision of the State of Ohio (the "City"), and CONTINENTAL AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of Ohio ("Airline").

WITNESSETH:

WHEREAS, City owns and operates Cleveland Hopkins International Airport (the "Airport"); and

WHEREAS, the Council of City, pursuant to Ordinance No. 1585-A-76, passed by the Council on August 16, 1976, authorized City to enter into agreements and leases substantially in the form attached to said Ordinance as Exhibit "A" (the "Master Agreement") with certain airlines, which agreements and leases would set forth the terms on which such airlines would lease portions of the Airport from City and be permitted to use the Airport's facilities; and

WHEREAS, the Council of City, pursuant to Ordinance No. 2551-A-82, passed by the Council of City on June 15, 1983, authorized City to enter into additional such agreements and leases with additional Scheduled Airlines (as defined therein); and

WHEREAS, pursuant to said Ordinance No. 2551-A-82, City entered into an Agreement and Lease, dated as of May 15, 1987 (the "Original Lease"), with Airline; and

WHEREAS, the Original Lease and the Indenture (as defined in the Original Lease) permit City to issue Special Revenue Bonds to finance the construction of any Special Facilities (both as defined in the Original Lease); and

WHEREAS, Airline desires to construct Special Facilities and to have City issue Special Revenue Bonds for the purpose of financing certain of the costs thereof; and

WHEREAS, pursuant to Ordinance No. 2729-89, passed by the Council of City on December 11, 1989 (the "Authorizing Ordinance"), the Council of City authorized City, among other things, to execute and deliver this Special Facilities Lease;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants, agreements and conditions contained herein, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

Unless otherwise defined herein and except as otherwise stated herein, all capitalized words and terms defined in the Original Lease and used herein are used herein with the definition assigned to them in the Original Lease as in effect on the date hereof and as attached hereto as Exhibit A. The following words and terms are used herein with the following definitions:

1.01 "Basic Rent" means the rent payable by Airline pursuant to Article VII hereof.

1.02 "Basic Rent Reserve" means: (i) during the period preceding the first adjustment in the Basic Rent pursuant to Section 7.03 hereof, the amount of Basic Rent which would be payable during the first full calendar year following the Commencement of Occupancy if the amount thereof were based upon the numbers of square feet of space in various categories set forth in Section 7.02 hereof and the respective rents per square foot set forth therein; and (ii) from and after the first adjustment in the Basic Rent pursuant to Section 7.03 hereof, the amount of Basic Rent payable during the then current calendar year.

1.03 "Basic Rent Reserve Fund" means the Fund of that name established pursuant to Section 7.04 hereof.

1.04 "Bond Rent" means the rent payable by Airline pursuant to Section 7.05 hereof.

1.05 "Bonds" means City of Cleveland, Ohio, Airport Special Revenue Bonds, Series 1990 (Continental Airlines, Inc. Project), dated December 1, 1989.

1.06 "Commencement of Occupancy" means with respect to each of the various categories of Continental Special Premises set forth in Section 7.02 hereof, the date, following the completion date of the On-Site Improvements located in the applicable category, on which the Airline commences to occupy said category of the Continental Special Premises.

1.07 "Construction Fund" means the "Construction Fund" as defined in the Indenture.

1.08 "Continental Special Facilities" means the Continental Special Premises and the Off-Site Improvements.

1.09 "Continental Special Premises" means the real property described in Exhibit B hereto and the On-Site Improvements, exclusive of any concession space the construction cost of which was paid to Airline by City pursuant to Section 2.05 hereof.

1.10 "Cost of the Facilities" means "Cost of the Facilities" as defined in the Indenture.

1.11 "Defeasance Date" means the date on which all the Bonds shall have been paid and discharged or shall be deemed paid and discharged for purposes of and in accordance with the Indenture, and the Indenture shall have been with its terms.

1.12 "Event of Default" means any of the circumstances designated as such in Section 12.01 hereof.

1.13 "Exclusive Continental Special Premises" means the areas of the Continental Special Premises described in Section 2.02(b) hereof, being generally those premises which are used and controlled exclusively by Airline to service its passengers, customers and operations and not open to, available for, or used by the general public and/or by the passengers, customers or operations of other airlines or persons.

1.14 "Hangar Lease" means the Lease, dated as of the date of original issuance and delivery between City and Airline with respect to the real property on which the Hangar Improvements are to be located.

1.15 "Hangar Site" means the real property comprising the leased premises under the Hangar Lease.

1.16 "Hangar Site Improvements" means the Improvements to the Hangar described in Exhibit D hereto.

1.17 "Improvements" means the On-Site Improvements and the Off-Site Improvements.

1.18 "Indenture" means the Trust Indenture, dated as of December 1, 1989, between City and the Trustee.

1.19 "Non-exclusive Continental Special Premises" means those areas of the Continental Special Premises not described in Section 2.02(b) hereof, being generally those premises which are not used and controlled exclusively by Airline to service its passengers, customers and operations and which are open to, available for, and used by the general public and/or by the passengers, customers or operations of other airlines or persons.

1.20 "Off-Site Improvements" means the Hangar Site Improvements and the other improvements described in Exhibit E hereto, to be made at the Airport, but not on or at the Continental Special Premises.

1.21 "On-Site Improvements" means the improvements described in Exhibit C hereto, to be made on or at the Continental Special Premises.

1.22 "Qualified Successor Lessee" means Qualified Successor Lessee, as defined in the Indenture.

1.23 "Series 1990 Bonds" means the "Series 1990 Bonds" as defined in the Indenture.

1.24 "Termination Date" means the earlier of the final scheduled maturity of the Bonds or the date on which the termination of this Lease occurs pursuant to Section 12.02 hereof.

1.25 "Trustee" means the "Trustee" as defined in the Indenture.

(End of Article I)

ARTICLE II - RIGHTS, PRIVILEGES
AND PREMISES

2.01 Lease and Use of Continental Special Premises

In addition to such rights as Airline has under the Original Lease, any agreement which may succeed or supersede the Original Lease, and any other agreements Airline may have with City until the respective terminations thereof in accordance with their respective terms, for the rent, upon the agreements, and subject to the terms and conditions hereinafter set forth and subject to the rules and regulations prescribed by City, City hereby agrees to lease the Continental Special Premises to Airline, and Airline agrees to lease the Continental Special Premises from City, and City agrees that Airline shall have the right to conduct from and at the Continental Special Premises its air transportation activities for the carriage of persons, property and mail and to operate an airline lounge. Specifically and without limitation, the following rights are included among the rights hereby conferred:

a. The use, in common with other duly authorized users, of the public areas of the Terminal Complex.

b. The right of ticketing passengers, and of loading and unloading persons, property and mail at the Continental Special Premises by such motor vehicles or other means of conveyance as Airline may require as is consistent with normal airport practice.

c. The right to install at Airline's expense identifying signs on the Exclusive Continental Special Premises, the number, type, size, design and location of which shall all be consistent with such graphic standards as City may from time to time adopt. Airline shall make no such installation without the prior written approval of City, and such right shall be subject to City's right to lease space for advertising signs throughout the Non-exclusive Continental Special Premises.

d. The right to install, maintain and operate such radio, communication, meteorological, security screening and aerial navigation equipment and facilities as may be necessary in the opinion of Airline for its operation; provided, however, that the location of such equipment and facilities must be first approved by City and shall not interfere with the full and proper use of the Airport System.

e. Airline shall not install or operate pay telephones, coin vending machines or coin-operated amusement machines and devices in the Continental Special Premises but may have such installed by companies having agreements with City for such installations, if such shall be for the use of Airline's employees and located in the Exclusive Continental Special Premises; provided, however, that if such company or companies choose not to install such devices, Airline may make arrangements for installation of such devices, subject to City's standard fees and charges, and provided Airline shall have the right to charge for the cost of electric power used in the operation of such machines.

2.02 Space in and Adjacent to Terminal Building

a. Prior to its commencing to occupy the Continental Special Premises, Airline shall lease the Continental Special Premises for the purpose of constructing the On-Site Improvements thereon.

b. From and after its commencing to occupy the Continental Special Premises, Airline shall lease the following Exclusive Continental Special Premises for the respective purposes shown:

(1)	Holdroom, passenger and related space	31,500 square feet
(2)	Concourse Office and Operations	20,000 square feet
(3)	Bag make up and claim	24,000 square feet
(4)	Airline Lounge	6,500 square feet

The foregoing areas are more particularly delineated on Exhibit B, attached hereto.

c. The dimensions of the areas to be occupied by Airline are approximate only, and upon completion of the construction of the On-Site Improvements, actual dimensions thereof shall be taken by City and Airline representatives, measuring from the center line of walls for interior space and to the inside space of exterior walls. The actual square foot dimensions shall thereupon be incorporated in a writing signed by City and Airline representatives within six months after the Commencement of Occupancy for all elements of the Exclusive Continental Special Premises, and shall be the basis for determining the amount of the Basic Rent; provided, however, that until such actual dimensions shall have been taken, Airline's rental payments shall be based upon the approximations in Section 2.02(b) hereof.

2.03 Access

a. Subject to the provisions hereof, such restrictions as Airline may impose with respect to the Exclusive Continental Special Premises and the rules and regulations prescribed by City with respect to the Airport System, City hereby grants to Airline, its agents, suppliers, employees, contractors, passengers, guests and invitees the right and privilege of ingress and egress to the Continental Special Premises and to public areas and public facilities of the Terminal Complex.

b. The ingress and egress provided for above:

(i) shall not be used, enjoyed or extended to any person engaging in any activity or performing any act or furnishing any service for or on behalf of Airline that Airline is not authorized to engage in or perform under the provisions hereof unless expressly authorized by City; and (ii) shall be used and exercised in accordance with and subject to any security measures required by federal, state or local law or otherwise deemed necessary by City.

c. All means of access provided by City pursuant to this Section 2.03 shall, without exception, be in common with such other persons as City may authorize or permit, and all of such rights of access shall be exercised subject to and in accordance with all applicable laws and ordinances whether federal, state, or local.

d. City shall have the right at any time or times to close, relocate, reconstruct, change, alter or modify any such means of access provided for Airline's use pursuant to this Agreement or otherwise, either temporarily or permanently; provided that reasonable notice to Airline and a reasonably convenient and adequate means of access for ingress and egress shall exist or be provided in lieu thereof. City shall suffer no liability by reason thereof and such action shall in no way alter or affect any of Airline's obligations under this Agreement.

2.04 Use by Airline

In connection with the exercise of its rights under this Agreement, Airline:

a. Shall not cause or create nor permit to be caused or created within the Continental Special Premises any noxious odors or smokes, or noxious gases or vapors. Neither the creation of exhaust fumes by the operation of aircraft engines, when operated in a manner approved by the Federal Aviation Administration, nor the existence of gasoline or other fumes resulting from the proper fueling of aircraft or motor vehicles, nor the existence of paint fumes or odors, provided the same occur during lawful use of the Continental Special Premises and lawful operation by Airline therefrom in accordance with the other provisions of this Agreement, shall constitute a violation of this subsection.

b. Shall not do or permit to be done anything at or on the Continental Special Premises which may interfere with the effectiveness or accessibility of the drainage and sewage system, fire protection system, sprinkler system, alarm system, fire hydrants and hoses, if any, installed or located on or within the Continental Special Premises or the Airport.

c. Shall not do or permit to be done any act or thing at or on the Continental Special Premises which will by itself

invalidate or conflict with any fire or other casualty insurance policies (copies of which, together with premium schedules, shall be furnished to Airline upon request) covering the Airport or any part thereof.

d. Shall not dispose of or permit any other person to dispose of any waste material (whether liquid or solid) taken from or products used with respect to its aircraft into the sanitary or storm sewers at the Airport unless such waste material or products shall first have been properly treated by equipment installed with the approval of City for that purpose.

e. Shall not keep or store, during any twenty-four hour period, flammable liquids within the enclosed portion of the Continental Special Premises in excess of Airline's working requirements during said twenty-four hour period, except in rooms or underground tanks especially constructed for such purposes in accordance with standards established by the National Board of Fire Underwriters, and approved by City from the standpoint of safety. Any such liquids having a flash point of less than 101 F. shall be kept and stored in safety containers of a type approved by the Underwriters Laboratories.

2.05 Concessions

If any portion of the Continental Special Premises is approved pursuant to Section 5.03 or Section 5.04 hereof for use as concession space (other than for an Airline Lounge), then City shall pay or shall reimburse Airline for the cost of construction of said concession space, and City shall make such payment or reimbursement no later than such time as Airline is required to pay or has paid such cost of construction. Prior to the commencement of construction of any such space, and as a condition to Airline's commencement of such construction hereunder, Airline shall obtain and provide to City an estimate of the cost of construction of such space, based upon a contractor's estimate, or such other reasonable basis as is agreed to by Airline and City. Upon payment by City to Airline of the cost of construction for such space, which payment may be in the form of a credit or credits against the Basic Rent payable by Airline hereunder or amounts due to City from Airline under the Original Lease, such concession space shall cease to be part of the Continental Special Facilities, and any revenues derived therefrom shall not constitute Pledged Revenues or be otherwise pledged as security for the payment of the Bonds except as set forth in Section 2.01(e) hereof, the City shall have the exclusive right to operate or grant the right to operate concessions in such concession space and Airline shall have no right to the revenue derived therefrom unless such right is otherwise conferred on Airline by other agreement with City. Any amounts from the Construction Fund applied to the costs of construction of such space shall, to the extent paid or reimbursed by City pursuant hereto, be paid by Airline to the Trustee for deposit in the Construction Fund.

(End of Article II)

ARTICLE III - OCCUPANCY; TERM

3.01 Term

This Agreement shall commence upon the execution hereof and shall terminate on the Termination Date; provided, however, that if the Defeasance Date occurs more than one year before the Termination Date, then on and after the Defeasance Date Airline shall have the option to terminate this Agreement upon one (1) year's written notice to City; and provided further, that if the Airline vacates the Continental Special Premises subsequent to its exercise of such option but prior to the expiration of such one-year notice period, then City shall use its best efforts, but shall be under no obligation, to fill the vacancy thereby created in the Continental Special Premises for the balance of such one-year period.

3.02 Relationship to Other Agreements

a. The execution and delivery of this Agreement shall in no way affect the validity and binding effect of the Original Lease or the Hangar Lease. No reference to the Original Lease or the Hangar Lease herein shall be deemed an agreement of the parties hereto to cause the Original Lease or the Hangar Lease to extend beyond its terms in accordance with its terms.

b. The City acknowledges that Airline intends to occupy and use the Continental Special Premises as part of a comprehensive operation with passenger departure lounges and with ticket counters, offices, and other support facilities that it occupies and uses in the Terminal Complex under the Original Lease.

c. The City further acknowledges that the value of the leasehold interest in the Continental Special Premises acquired hereunder by Airline will be enhanced if Airline also acquires hereunder the right to continue to occupy and use such facilities in the Terminal Complex as are necessary for Airline to continue to conduct its operations at the Continental Special Premises after its rights to do so under the Original Lease have terminated. Accordingly, the City agrees that, from and after the termination of the Original Lease and until the earlier of (i) the date on which Airline and the City shall have entered into a subsequent lease or other agreement providing for Airline's occupancy and use of such facilities, or (ii) the date on which this Agreement terminates, Airline shall be entitled to occupy or use such facilities in the Terminal Complex (including, without limitation ticket counters and offices, but excluding holdrooms and passenger departure lounges) as the City reasonably determines are necessary for Airline to utilize the Continental Special Premises fully. Airline understands, acknowledges, and agrees that its right hereunder does not apply to any particular facilities and that the City reserves the right and discretion to fulfill its obligations hereunder by permitting Airline to use and occupy facilities other than those actually used and occupied by Airline prior to the termination of the Original Lease and to change the facilities Airline is permitted to use and occupy hereunder from time to time. The terms on which Airline shall be entitled to such occupancy and use shall be those agreed upon by Airline and the City at the time, provided that, in the absence of such agreement, the terms shall be no less favorable than those which the City shall have offered to any other scheduled airline for such occupancy and use at the time.

d. The City further acknowledges that the value of the leasehold interest in the Continental Special Facilities acquired hereunder by Airline will be further enhanced if Airline also acquires hereunder the right to continue to occupy and use such other facilities in the Terminal Complex (i.e., other than those necessary for Airline to utilize the Continental Special Premises fully) as it has under the Original Lease after its rights to do so under the Original Lease have terminated. Accordingly, the City agrees that, from and after the termination of the Original Lease and until the earlier of (i) the date on which Airline and the City shall have entered into a subsequent lease or other agreement providing for Airline's occupancy and use of such other facilities, or (ii) the date on which this Agreement terminates, Airline shall be entitled, subject to the conditions hereinafter set forth, to occupy or use facilities in the Terminal Complex comparable to those used and occupied therein by Airline immediately prior to the termination of the Original Lease. Airline understands,

acknowledges, and agrees that its right hereunder does not apply to any particular facilities and that the City reserves the right and discretion to fulfill its obligations hereunder by permitting Airline to use and occupy facilities other than those actually used and occupied by Airline prior to the termination of the Original Lease and to change the facilities Airline is permitted to use and occupy hereunder from time to time, and the City agrees that, in exercising such right and discretion, it will not unnecessarily or unreasonably cause the facilities made available to Airline hereunder not to be as proximate to the Continental Special Premises and to one another as the other facilities in the Terminal Complex occupied by Airline under the Original Lease prior to its termination. The terms on which Airline shall be entitled to such occupancy and use shall be those agreed upon by Airline and the City at the time, provided that, in the absence of such agreement, the terms shall be no less favorable than those which the City shall have offered to any other scheduled airline for such occupancy and use at the time.

e. Airline's right to occupy and use facilities in the Terminal Complex pursuant to Section 3.02.d. above shall be subject to the condition that, at the time of such exercise, Airline shall have met the then applicable Basic Schedule Requirement, determined as set forth in Section 3.02.f. below.

f. (i) As used in paragraph (f)(iii) below, the Commencement Basic Schedule Requirement shall be 12,000, being the revenue seats daily average mutually determined by the Airline and the City as of the date hereof.

(ii) Commencing with the calendar year immediately preceding the year in which the Original Lease expires (the "Expiration Year") and each and every calendar year thereafter until the date on which Airline and City shall have entered into a subsequent lease or other agreement in place of the Original Lease, the Director of Port Control may ascertain the revenue seats daily average of Airline for the Airport in accordance with paragraph (f)(v) below, which revenue seats daily average shall be the "Basic Schedule Requirement for the preceding calendar year", for purposes of paragraph (f)(iii) below and shall be referred to as such.

(iii) As of January 1 of the first calendar year following the Expiration Year, and as of January 1 of each succeeding calendar year until Airline and City enter into a subsequent lease or other agreement in place of the Original Lease (A) in the event that Airline's Basic Schedule Requirement for the immediately preceding calendar year for the Airport is less than sixty percent (60%) of Airline's Commencement Basic Schedule Requirement or (ii) in the event that because of reasons beyond the control of Airline, Airline's Basic Schedule Requirements for the immediately preceding two calendar years are less than sixty percent (60%) of Airline's Commencement Basic Schedule Requirement, then in either of such events and without limiting each and every other right of termination of the City under this Agreement or otherwise, City shall have the right, upon six (6) months' written notice to Airline, to terminate the use by Airline of any portion of the Airport provided to Airline pursuant to Section 3.02(d) hereof that the Director of Port Control determines to be underutilized by Airline. Such termination shall be effective on the date set forth in said notice of termination. This Agreement and the letting of all other portions of the Terminal Complex shall continue in full force and effect.

The Director of Port Control shall give thirty (30) days' prior notice of its intention to give the termination notice set forth above, and it is expressly agreed that the Director of Port Control shall not exercise the aforesaid right of termination with respect to any portion or portions of the Terminal Complex occupied by Airline pursuant to 3.02(d) hereof if and for which Airline has submitted to the Director of Port Control definite plans for the utilization of said portion or portions of the Terminal Complex occupied by Airline pursuant to 3.02(d) hereof; provided Airline in fact commences such use of said portion or portions of the Terminal Complex within ninety (90) days after the submission of the said plans.

(iv) The failure of City to exercise its right of termination under this Section 3.02(f) during any year in which it may have such a right shall not affect, waive or limit its right to exercise said right of termination in any subsequent year.

(v) In the event the Director of Port Control decides to ascertain the revenue seats daily average, it shall do so as follows: based upon the Official Airline Guide (herein called "the Guide"), the Director of Port Control shall ascertain the total number of revenue seats that can be accommodated on the aircraft equipment scheduled to be used by Airline on its published aircraft arrivals at the Airport as set forth in the Guide during two specified calendar weeks (Sunday through Saturday), the first of which weeks is the one during which falls the fifteenth (15th) day of April of the prior calendar year and the second is the one during which falls the fifteenth (15th) day of October of the said prior calendar year, and shall total the said number of revenue seats which are hereinafter called "the total revenue seats" of Airline. In determining the total revenue seats of Airline, the total revenue seats as defined above of those Handled Airlines (hereinafter defined), if any, of Airline who are Handled Airlines as of the date of such determination shall be included. For purposes of this paragraph (v), "Handled Airlines" means other airlines for which Airline provides services from the Continental Special Premises or the Terminal Complex.

In making said determination, the Director of Port Control shall use the most recent configuration as supplied by Airline with respect to the number of revenue seats that can be accommodated on the particular aircraft equipment scheduled to be used by Airline at the Airport. The total revenue seats of Airline shall then be divided by fourteen, the resulting quotient being herein called "the revenue seats daily average" of Airline.

g. The rights of Airline under Section 3.02(d) above shall be exercisable by and for the benefit of Airline only. Airline shall not have the right or power to assign such right or sublet any facilities it occupies or uses pursuant to the exercise of such right.

(End of Article III)

ARTICLE IV - QUIET ENJOYMENT

As long as Airline shall have paid all rents required to be paid hereunder, made all other payments required to be made hereunder, and shall not have permitted any default hereunder on its part to occur and be continuing, then City, so long as it is the owner and operator of the Airport, and thereafter its successors and assigns, shall take no act or action, except as otherwise provided by this Agreement, that will prevent Airline from peaceably having and enjoying the Continental Special Premises, together with the appurtenances, facilities, rights, licenses and privileges granted herein.

(End of Article IV)

ARTICLE V - ISSUANCE OF BONDS; CONSTRUCTION OF IMPROVEMENTS;
PAYMENT OF COSTS OF THE IMPROVEMENTS

5.01 Issuance of Bonds; Deposit of Bond Proceeds; Deposit of the Airline's Funds into the Special Funds

In order to provide funds for payment of the Cost of the Facilities incurred under or in connection with this Agreement, City agrees to authorize, issue, sell and deliver the Series 1990 Bonds, and City agrees to deposit the proceeds of the Series 1990 Bonds as provided in the Indenture.

Airline at its discretion may deposit its own funds into the Construction Fund at any time for use for the purposes of that Fund in accordance with the provisions of this Lease. In any event, Airline covenants pursuant to Section 5.04 hereof to provide to the Trustee moneys to pay that portion of the Cost of the Facilities as may be in excess of the moneys otherwise available therefor in the Construction Fund.

The Series 1990 Bonds are to be issued under, secured by, and payable in accordance with the Indenture.

5.02 Disbursements from the Construction Fund

City has, in the Indenture, authorized and directed the Trustee to use the moneys in the Construction Fund for payment of the Cost of the Facilities.

5.03 Construction of Improvements

a. Airline covenants and agrees that it will undertake such construction, remodeling, improvement, enlargement, furnishing and equipping as will result in the completion of the Improvements on or before December 31, 1992, and shall pay the cost thereof from the proceeds of the Bonds which are available therefor and otherwise as provided herein and in the Indenture, including payments or reimbursement made by City to Airline for the costs of construction of concession space pursuant to Section 2.05 hereof. Failure by Airline to fulfill the foregoing covenant shall constitute a default of Airline under Section 12.01 hereof and shall give rise to all remedies of City upon a default, including, without limitation, the right of City to terminate this Agreement. Airline shall, at its expense and upon receipt of notification from City that such work may be commenced, promptly commence the construction of the Improvements, which improvements shall be promptly completed, subject to the following conditions:

(1) Before the commencement of any such work, the detailed plans and specifications shall be filed with and approved by the Director of Port Control of City and all governmental departments or authorities having jurisdiction thereover, including, without limitation, (i) the Federal Aviation Administration, and (ii) City Planning Commission and its Fine Arts Committee. All such work shall be done subject to and in accordance with the requirements of law and applicable regulations of all such governmental departments or authorities, the Director of Port Control and, where required, each affected public utility company. The Director of Port Control shall approve such plans and specifications only if the Director of Port Control determines that the Improvements located in the Terminal Complex as planned and specified will be consistent and compatible with the design and decor of the Terminal Complex.

(2) Such work shall be performed in a first-class, workmanlike manner and in accordance with the plans and specifications approved for the same. Airline shall redo or replace, at its sole cost and expense, any work which is not done in accordance with such plans and specifications, as approved by City prior to or after completion of such work; however, any request to redo or replace any such work shall be made by City within ninety days after its receipt of notice of completion from Airline.

b. The Improvements, and all other alterations additions or improvements at any time placed on, in or upon the Continental Special Facilities, including moveable furniture, movable personal property, and other removable trade fixtures, the cost of which is financed in whole or in part with the proceeds of

Bonds, shall be deemed to be and become part of the realty and the sole and absolute property of City upon completion thereof. Any other alterations, additions improvements, or property in or upon the Continental Special Facilities installed at the expense of Airline, or at the expense of third parties (other than City) leasing to Airline, shall not be deemed to become property of City at the termination of this Agreement, and Airline shall have the right to remove said property from the Continental Special Facilities on or before the time of termination of this Agreement, subject to any valid lien which City may have thereon; but any damage to the Continental Special Facilities caused by such removal shall be repaired at Airline's expense. Airline hereby makes an irrevocable election, binding on itself and all successors in interest, not to claim any depreciation or investment credit (within the meaning of Section 142(b)(1)(B) of the Code) with respect to the Continental Special Facilities.

c. Airline shall promptly pay all lawful claims and discharge all liens made against it or against City by Airline's contractors, subcontractors, materialmen and workmen, and all such claims and liens made against Airline or City by other third parties arising out of or in connection with, whether directly or indirectly, any work done by Airline, its contractors, subcontractors or materialmen; provided, however, that Airline shall have the right to contest the amount or validity of any such claim or lien without being in default of this Agreement upon furnishing security satisfactory to the Director of Law of City guaranteeing that such claim or lien will be properly and fully discharged forthwith in the event that such contest is finally determined against Airline or City.

d. Airline shall procure and maintain effective during construction of the Improvements and all other improvements by Airline pursuant to this Article V, comprehensive public liability insurance, or, if the work is to be done by an independent contractor, Airline shall procure and maintain or require such contractor to procure and maintain such insurance in Airline's name, in either case, in limits and meeting the requirements otherwise specified in Article X of this Agreement, and Airline shall defend, indemnify and hold harmless City, its officers, agents and employees for all loss, cost, damage or expense arising out of or relating in any way to such construction unless the same arises out of the negligence of City, its officers and employees.

e. Prior to commencing construction or installation of any Improvement hereunder, the Airline shall furnish or cause to be furnished to City a bond in an amount equal to 100% of the total cost of such construction or installation to secure its obligation to construct and install said Improvement hereunder.

f. Upon completion of construction or installation of all the Improvements, Airline shall, at its expense, furnish the Director of Port Control with "as built" drawings of the Continental Special Facilities, which drawings shall be included as part of Exhibit B hereto.

5.04 Subsequent Improvements by Airline

Subsequent to making the Improvements as expressly provided herein, Airline shall make no alterations, additions or improvements to the Continental Special Facilities or other installation on the Continental Special Facilities without the prior written approval of City. All subsequent improvements, alterations or construction work done by Airline during the term of this Agreement shall be performed in accordance with the requirements of Section 5.01 hereof.

5.05 Agreements with Contractors

Unless such requirement is prohibited by law, Airline agrees that all contractors working on the Project (as defined in the Authorizing Ordinance) must be party to the usual and ordinary agreement with the appropriate member union of the Cleveland Building and Construction Trades Council.

(End of Article V)

ARTICLE VI - MAINTENANCE AND
OPERATION OF CONTINENTAL SPECIAL FACILITIES

6.01 Operation and Maintenance of Continental Special
Facilities

Airline agrees that, except to the extent that City is required to do so pursuant to Section 6.02 hereof, Airline will, with reasonable diligence, prudently operate the Continental Special Facilities, improve them and keep them in good repair, employing at all times adequate and qualified personnel for the purpose of doing so. Without limiting the generality of the foregoing, Airline shall: (i) at all times keep the Exclusive Continental Special Premises neat, orderly, sanitary and presentable and perform certain maintenance, repair and cleaning; (ii) make such repairs and replacements to the Continental Special Facilities as City may from time to time reasonably direct Airline to make in order to keep the Continental Special Facilities in good repair; (iii) furnish its own janitor service for the Exclusive Continental Special Premises; (iv) provide and maintain toilet facilities for the Continental Special Premises; and (v) cause to be removed, at Airline's own expense, from the Continental Special Facilities all waste, garbage, and rubbish and not deposit the same on any part of the Airport, except that Airline may deposit the same temporarily in the Terminal Complex at such spaces, if any, designated by City in connection with collection for removal all as further described in Exhibit F hereto.

6.02 Maintenance by City

City shall keep the Non-Exclusive Continental Special Premises neat, orderly, sanitary and presentable, and in doing so shall provide, with respect to the Non-Exclusive Continental Special Premises, such maintenance and cleaning services as are specified on Exhibit F hereto.

6.03 Heating and Cooling

Airline shall construct, install and maintain any and all heating, cooling, and ventilation facilities necessary for operation of the Continental Special Premises, provided that City shall provide Airline with any chilled water needed for operation of such heating, cooling and ventilation facilities as further specified in Exhibit F hereto.

6.04 Lighting and Public Areas

City shall provide electricity for illumination and shall replace lamps where appropriate in the Non-Exclusive Continental Special Premises as further specified on Exhibit F hereto.

6.05 Water and Sanitary Sewer

Airline shall construct and install any and all water and sanitary sewer facilities required for operation of the Continental Special Premises, provided that City shall be responsible for maintaining such facilities upon their completion and as further specified in Exhibit F hereto.

6.06 Limitation on Obligation

City shall not be obligated to perform or furnish any other utility services whatsoever at or to the Continental Special Premises, nor shall it be obligated to provide any utility services hereunder if it is prevented from doing so by acts or events beyond its control or if Airline is in default of any payment for such services.

(End of Article VI)

ARTICLE VII - BASIC RENT, CHARGES AND FEES; BOND RENT

7.01 Payment of Rentals, Charges and Fees

Airline agrees to pay City, without notice or demand and without deduction or setoff, for the use of the Continental Special Facilities, for the rights, licenses and privileges granted hereunder, and for the undertakings of City hereunder, the Basic Rent, the Bond Rent, and all additional rentals, charges, and fees payable hereunder during the term of this Agreement. On or before December 15 of each year, City shall transmit to Airline a statement of the Basic Rent payable for each month during the next year and on or before the 10th day of each month a statement of all additional rentals (other than Bond Rent), charges and fees then payable. Airline shall pay the Basic Rent on or before the first day of each month and shall pay the additional rentals within fifteen days of receipt of such statement by check made payable to City at the place and in the manner specified by the Director of Port Control in such statement. Any payment not received by such dates, as applicable, shall thereafter bear interest at the rate of 1% per month until paid in full. The Bond Rent shall be payable at the times and in the manner set forth in Section 7.05 hereof.

7.02 Basic Rent

From and after Airline's Commencement of Occupancy of the Continental Special Facilities, as to each of the following categories of space in the Continental Special Premises, and subject to annual adjustment pursuant to Section 7.03 hereof, Airline shall pay to City as Basic Rent for each such category of space the following sums as to the space so occupied:

(a) For 31,500 square feet of holdroom, passenger and related space, a monthly sum computed at the rate of \$2.49 per square foot per year;

(b) For 20,000 square feet of concourse office and operations space, a monthly sum computed at the rate of \$1.87 per square foot per year;

(c) For 24,000 square feet of bag make up, claim and storage space, a monthly sum computed at the rate of \$2.49 per square foot per year.

(d) For 6,500 square feet of Airline Lounge, a monthly sum computed at the rate of \$1.87 per square foot per year.

All such space is more fully delineated on Exhibit A hereto.

7.03 Annual Adjustment of Basic Rent

a. As long as the Original Lease remains in effect, the Basic Rent payable by Airline pursuant to Section 7.02 hereof shall be readjusted annually as though such Basic Rent were "Rentals" for purposes of Article VIII of the Original Lease. For purposes of making such adjustments, the parties hereto acknowledge and agree that:

(i) The Exclusive Continental Special Premises shall constitute part of a Concourse or the Terminal Building and shall further constitute "Terminal Concourse space or Terminal Building Space leased to a Scheduled Airline" for the purpose only of allocating the rent due under the Original Lease with respect to non-exclusive space and not the costs allocable to such space.

(ii) As defined in Section 1.19 of the Original Lease, "Concourse" shall not include the Continental Special Premises for purposes of the Concourse Improvement Factor referred to in Section 8.04(a)(iii) of the Original Lease, in that the Continental Special Premises constitute an "expansion of a Concourse built at the sole cost and expense of a Scheduled Airline" and "Terminal Building" shall not include the Continental Special Premises for purposes of the Terminal Improvement Factor referred to in Section 8.04(a)(iii) of the Original Lease, in that the Continental Special Premises constitute an "expansion of the Terminal Building built

at the sole cost and expense of a Scheduled Airline".

b. From and after the termination of the Original Lease, the Basic Rent payable pursuant to Section 7.02 hereof, as the same shall have been readjusted prior to such termination pursuant to paragraph (a) of this Section 7.03, shall be subject to readjustment as follows:

(i) If City then permits the Scheduled Airlines to continue to use the Airport on the same terms as would apply if the Original Lease and the other, substantially similar agreements with the other Scheduled Airlines were still in effect, then the Basic Rent shall continue to be readjusted pursuant to paragraph (a) of this Section 7.03 on those terms.

(ii) If City shall have entered into substantially similar agreements with each of the airlines then leasing space in the Terminal Complex directly from City to succeed or supersede the Original Lease and the other, substantially similar agreements with the other Scheduled Airlines, then Airline shall pay Basic Rent for the Continental Special Premises on the same basis and terms on which the airlines which are party to such agreements pay for space of the same categories under such agreements. For the purposes of this subparagraph (ii), City shall be deemed to have entered into an agreement with an airline notwithstanding the absence of any written agreement between City and such airline if the terms on which such airline is in fact leasing space in the Terminal Complex directly from City are substantially the same as those in the substantially similar agreements then in effect between City and the other airlines then leasing space in the Terminal Complex directly from City.

(iii) If City shall have entered into one or more agreements with any of the airlines then leasing space in the Terminal Complex directly from City, pursuant to which such airlines pay rental for space of the same categories as are included in the Continental Special Premises, then Airline shall pay Basic Rent for the Continental Special Premises at the most favorable (from the perspective of the airlines) rates then payable for such space by any such airline.

(iv) If none of the circumstances described in subparagraphs (i), (ii) or (iii) above applies, then Airline shall continue to pay Basic Rent for the Continental Special Premises on the same basis and terms on which it paid Basic Rent during the last Additional Term prior to the termination of the Original Lease.

7.04 Basic Rent Reserve

There is hereby created by and with City a trust fund which shall be designated the "City of Cleveland, Ohio Continental Airlines, Inc. Basic Rent Reserve Fund" (the "Basic Rent Reserve Fund"). Simultaneously with the issuance of the Series 1990 Bonds, and as a prepayment of the last year's Basic Rent due hereunder, Airline shall cause to be deposited in the Basic Rent Reserve Fund an amount equal to the Basic Rent Reserve. Within thirty (30) days of the effective date of any adjustment in the Basic Rent pursuant to Section 7.03 hereof, Airline shall deposit in the Basic Rent Reserve Fund the additional amount, if any, then necessary to cause the amount on deposit therein to equal the Basic Rent Reserve. In the event of any failure by Airline to make any payment of Basic Rent (or portion thereof) as and when due, City may withdraw from the Basic Rent Reserve Fund an amount equal to the amount of Basic Rent Airline has failed to pay. The disbursement of moneys to City from the Basic Rent Reserve Fund shall not be deemed a payment of the Basic Rent Airline had failed to pay, nor shall such disbursement be deemed a cure of the default hereunder occasioned by such failure to pay Basic Rent, unless and until Airline shall have fully restored the balance in the Basic Rent Reserve Fund to the Basic Rent Reserve. Airline may direct that any amount in the Basic Rent Reserve Fund at any time in excess of the Basic Rent Reserve (including any excess arising from earnings on amounts in the Basic Rent Reserve Fund) be withdrawn from the Basic Rent Reserve Fund and credited against the next payable payment for Basic Rent. Moneys in the Basic Rent Reserve Fund shall be invested with other funds of the Airport unless otherwise directed

by Airline in writing to the Director of Port Control and the earnings on amounts in that Fund shall be credited to said Fund and held therein pending their application in accordance with this paragraph. Notwithstanding anything herein to the contrary, Airline may direct that any moneys on deposit in the Basic Rent Reserve Fund during the year preceding the Termination Date be withdrawn therefrom for and applied to the payment of Basic Rent. On the Defeasance Date any moneys remaining in the Basic Rent Reserve Fund (including any earnings on amounts therein) shall be released to Airline.

7.05 Bond Rent

All capitalized words and terms used in this Section 7.05 but not otherwise defined in this Agreement shall have the meanings assigned to them in the Indenture.

a. Airline shall pay Bond Rent by making payments to the Trustee for the account of City on the following dates and in the following amounts:

(i) On or before each Interest Payment Date and each other date on which Bonds are to be redeemed, Airline shall pay an amount which, together with other amounts on deposit in the Interest Account, will be sufficient to pay the interest on Bonds due on that date.

(ii) On or before each date on which principal of Bonds is due and payable, whether at the stated maturity, mandatory redemption or acceleration of such Bonds by the Trustee in accordance with the Indenture, Airline shall pay an amount which, together with other amounts on deposit in the Principal Account, will be sufficient to pay the principal of Bonds due on that date.

(iii) On or before each optional redemption date, Airline shall pay an amount which, together with other amounts on deposit in the Redemption Account, will be sufficient to pay the principal of and premium, if any, on Bonds to be redeemed by optional redemption on that date.

(iv) Not later than the close of business on the fifth Business Day following any date on which the Trustee notifies Airline of a deficiency in the Reserve Account, Airline shall pay an amount equal to the amount of that deficiency; provided that if the deficiency arose as a result of a withdrawal from the Reserve Account to cover a shortfall in the Interest Account, the Principal Account or the Redemption Account, not later than on the last day of each of the twelve months following receipt of the deficiency notice, Airline shall pay an amount equal to one-twelfth of such deficiency.

b. In addition to the Bond Rent, and in the manner hereinafter provided, Airline shall pay as "additional rent" (i) to the Trustee for the account of City, such amounts as shall be required to satisfy any requirement to pay the Rebate Amount to the United States as provided in Section 4.03 of the Indenture, (ii) all amounts due under the Indenture to the Trustee, Paying Agent, and Authenticating Agent (each as defined in the Indenture) and (iii) all other amounts payable by the City under the terms of the Indenture (other than Bond Service Charges, as defined therein).

c. All Bond Rent and all additional rent payable pursuant to subsection (b) of this Section 7.05 shall be paid by Airline in lawful money of the United States of America in immediately available funds, provided that Airline may offset, against amounts payable as Bond Rent under subdivision (a) (ii) of this Section 7.05 for the retirement or the redemption pursuant to mandatory sinking fund redemption of Bonds of a given maturity, the principal amount of any Bonds of that maturity delivered in lieu of such Bond Rent by Airline to the Trustee. Bonds delivered in lieu of Bond Rent due on or before a redemption date for the redemption of Bonds must be delivered to the Trustee before the Trustee selects the Bonds to be redeemed on that date. All such rental payments and delivery of Bonds in lieu thereof shall be made to the Trustee, at its principal corporate trust office, and the Trustee shall hold and apply the same in accordance with the provisions of the Indenture.

d. Airline shall have the right to prepay all or any part of the Bond Rent in order to cause Bonds to be redeemed or to be deemed paid and discharged in accordance with the terms and provisions of the Indenture. City agrees that it will give notice to the Trustee to redeem Bonds as provided in Section 3.02 of the Indenture in such principal amounts and at such times as Airline shall request in writing.

e. Airline's obligation to pay Bond Rent and additional rent payments at the times and in the amounts specified in this Section 7.05 shall be absolute and unconditional and shall continue in any event, including without limitation, whether or not

(1) Airline shall remain in possession of the Continental Special Facilities or be able to use the same, or (2) the Original Lease shall have terminated or been cancelled, or (3) the Continental Special Facilities or any interest therein are taken for any period by condemnation or other means by any governmental authority, or (4) the Continental Special Facilities deteriorate or become obsolete or are damaged or destroyed for any cause whatsoever, or become unusable by Airline, or (5) City fails to perform and observe any agreement, express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. All rental payments payable pursuant to this Section 7.05 shall be made absolutely net, free from all claims, demands, defenses or offsets against City of any kind or nature whatsoever other than payment. Nothing contained in this subsection shall be construed to release City from the performance of any of the agreements on its part herein contained, and in the event City shall fail to perform any such agreement on its part, Airline may institute such action against City as Airline may deem necessary to compel performance, provided that no such action shall (a) violate the agreements on the part of Airline contained in the first two sentences of this paragraph or (b) diminish the payments and other amounts required to be paid by the Airline pursuant to this Section 7.05. Airline may, however, at its own cost and expense and in its own name or in the name of City (provided City is a necessary party) prosecute or defend any action or proceeding or take any other action involving third persons which Airline deems reasonably necessary in order to secure or protect its rights hereunder, and in such event City hereby agrees to cooperate fully with Airline and to take all action necessary to effect the substitution of Airline for City in any such action or proceeding if Airline shall so request.

f. In the event the Airline shall fail to make any of the Bond Rent or additional rent payments required in this Section 7.05, each payment so in default shall continue as an obligation of Airline until the amount in default shall have been fully paid, and Airline will pay interest on each overdue Bond Rent payment at the rates borne by the Bonds on the date each such payment became due.

7.06 Utilities

Airline shall pay for its usage of all utilities to be furnished to or for the Continental Special Premises. Airline shall pay City for all electricity used at or on the Continental Special Premises at the metered rates which would be charged by the public utility electric company serving the area to like users in the vicinity of the Airport. Charges shall be paid by Airline when billed, and the quantity consumed shall be measured by a meter or meters installed by City for such purpose; provided, however, that if for any reason any such meter or meters shall become inoperative for any period of time, the consumption during the period such meter or meters are out of service will be considered to be the same as the consumption for a like period either immediately before or after the period during which said meter or meters are inoperative, as elected by City.

7.07 Concession for Sale of Alcoholic Beverages

Airline shall make concession payments to City in an amount equal to the percentage, established by City ordinance, of gross sales of alcoholic beverages in the Airline Lounge, unless Airline furnishes such beverages through City's primary concessionaire, in which case such gross sales shall be included in the amount on which that concessionaire makes concession payments to City, and in which case Airline shall not be required to make any payment to City in respect thereto.

7.08 Additional Payments by City

City may, but is not obligated to, cure any default on Airline's part in fulfilling Airline's covenants and obligations under this Agreement. Any amounts paid by City to cure any such default are hereby agreed and declared to be additional rent. Unless otherwise provided herein, all additional rent shall be due and payable with the next installment of Basic Rent due thereafter under this Agreement.

(End of Article VII)

ARTICLE VIII - [LEFT BLANK INTENTIONALLY]

ARTICLE IX - RULES AND REGULATIONS;
COMPLIANCE WITH LAWS; ADDITIONAL COVENANTS

9.01 Rules and Regulations

Airline covenants and agrees to observe and obey all reasonable and lawful rules and regulations (not in conflict with this Agreement and the rules, regulations, and orders of the Federal Aviation Administration) which are now in effect or as may from time to time during the term hereof be promulgated by City, the Director of Port Control or the Commissioner of Cleveland Hopkins International Airport regarding the operation of the Airport, including such rules as apply to Airline's use of the Continental Special Facilities.

9.02 Compliance with Laws

In connection with its operations in and on the Continental Special Facilities, Airline:

(a) Shall comply with and conform to all present and future laws and ordinances of City, federal, state and other governmental bodies of competent jurisdiction and the rules and regulations promulgated thereunder, applicable to or affecting, directly or indirectly, the Airline, the Continental Special Facilities, or Airline's operations and activities under this Agreement.

(b) Shall, at its expense, make all non-structural improvements, repairs, and alterations to the Continental Special Facilities and its equipment and personal property required to comply with or conform to any of such laws, ordinances, rules and regulations referred to in subsection (a) above, to which this Agreement is expressly subject.

(c) Shall at all times during the term of this Agreement comply with the Workers' Compensation Laws of the State of Ohio and pay such premiums, if any, as may be required thereunder and save City harmless from any and all liability arising from or under said laws. Airline shall also furnish, upon commencing operations under this Agreement and at such other times as may be requested, a copy of the official certificate or receipt showing the payments hereinbefore referred to or a copy of an official certificate from the State of Ohio evidencing permission for Airline to self-insure Workers' Compensation liability.

(d) Shall be and remain an independent contractor with respect to all installations, construction and services performed hereunder and agrees to and does hereby accept full and exclusive liability for the payment of any and all contributions or taxes for social security, unemployment insurance, or old age retirement benefits, pensions, or annuities now or hereafter imposed under any state or federal law which are measured by the wages, salaries, or other remuneration paid to persons employed by Airline on work performed under the terms of this Agreement and further agrees to obey all rules and regulations which are now or hereafter may be issued or promulgated under said respective laws by any duly authorized state or federal officials; and Airline shall indemnify and save harmless City from any such contributions or taxes or liability therefor.

9.03 Ramp Usage and Servicing

a. Use of the Ramp Area adjacent to the Continental Special Premises by aircraft and passengers other than those of Airline may be requested at times by the Director of Port Control or the Commissioner of Cleveland Hopkins International Airport, and such use may necessitate access to Airline-rented holdrooms adjacent to such Ramp Area and the use of the airplane loading devises. Airline agrees to make such areas, facilities and equipment available to accommodate such aircraft at the request of

the Director of Port Control or the Commissioner of Cleveland Hopkins International Airport, provided that the use thereof will not unreasonably interfere with Airline's operations hereunder and that Airline is reasonably compensated for the use thereof by such user. Airline is authorized to obtain from such user an agreement regarding such use.

b. Airline may perform, while its aircraft are parked upon the Ramp Area, customary fueling and servicing of aircraft preparatory to loading and takeoff or immediately following landing and unloading. Airline shall not do or perform any major repair or maintenance work upon aircraft while parked upon the apron or at the gate position nor shall there be any storage of aircraft upon the Ramp Area in a manner to restrict the loading or unloading of passengers at such gate positions. As used here, "major" is defined to be work that normally requires more than one hour to complete.

c. Airline agrees to reimburse the FAA (or City, if City shall have reimbursed the FAA) for any FAA funding of Airport improvements which were eliminated as a result of construction of the Improvements, but only if the FAA requires reimbursement thereof.

9.04 Noise Abatement

a. Airline shall certify in writing to the Director of Port Control on or before January 15 of each year the total number of aircraft in its operational fleet as of the preceding December 31 and the number and percentage thereof that were Stage Three aircraft as of that date. During each year, Airline will make a reasonable effort in the scheduling of its fleet operations at the Airport so that the percentage of Airline's operations at the Airport using Stage Three aircraft shall be reasonable in relation to Airline's then current level of Stage Three operations at the Airport.

b. In its operations at the Airport, Airline shall, subject to established FAA air traffic control and flight procedures, apply its best effort to operate consistent with the noise abatement procedures set forth in Exhibit G hereto.

c. The requirements of this Section 9.04 shall apply only to the extent they do not violate or conflict with the provisions of any applicable laws and regulations or any existing agreements of the City with Airline or the Scheduled Airlines (as defined in the Original Lease).

(End of Article IX)

ARTICLE X - INDEMNIFICATION; DAMAGE
OR DESTRUCTION; INSURANCE

10.01 Indemnification

City, its officers and employees, shall not be liable to Airline, or to any other parties, for claims arising out of any injury, including death, to any persons, or for loss of or damage to any property, regardless of how such injury or damage may be caused, sustained or alleged to have been caused or sustained, as a result of any condition (including existing or future defects) or act or omission whatsoever in, on or about the Continental Special Facilities unless such claim shall arise from the sole negligence of City, its officers and employees. In addition, City, its officers and employees, shall not be liable to Airline or to any other parties for claims or liability arising out of injury to persons or loss of or damage to property caused or sustained as a result of any fault, negligence, act or omission of Airline, or any of its officers, employees, agents, or contractors, and Airline shall indemnify and save harmless City with respect to and shall assume the defense of any and all liabilities, obligations, damages, penalties, fines, assessments, claims, costs, charges and expenses, including reasonable attorneys' fees which may be imposed upon or incurred by City by reason of any such occurrences.

10.02 Liability Insurance

In addition to any liability insurance required to be maintained by Airline pursuant to the Original Lease, Airline, at its sole cost and expense, for the mutual benefit of Airline and City, shall purchase and maintain, from an insurance company acceptable to City, public liability insurance for claims arising out of bodily injury or property damage occurring in, on or about the Continental Special Facilities, claims made in connection with operations of Airline in or about the Continental Special Facilities, and claims arising out of, and during the period of, the construction of the Improvements, in an amount of at least \$5,000,000 single limit (or equivalent split limits). City shall be named as an additional insured with respect to Airline's operation, maintenance and use of the Continental Special Facilities, subject to the limitations set forth in Section 13.01 hereof. Airline shall provide City with a certificate of insurance, which indicates that the insurance company will provide City and the Trustee with at least thirty days' advance notice of cancellation or material restriction in coverage thereof. Airline shall purchase and maintain additional limits of liability insurance in such amounts as are considered customary in connection with the operation of the business of Airline but in no event less than \$50,000,000 single limit (or equivalent split limit). Each policy of insurance whether or not specifically referred to herein shall not, as a condition of coverage, prohibit any insured from waiving his right of recovery against any party. The failure of City, at any time, to enforce the provisions of this paragraph concerning insurance coverage shall not constitute a waiver of those provisions nor in any respect reduce the obligation of Airline to defend and hold and save City harmless with respect to any injury or damage covered by this Article X. Upon the execution of this Agreement, Airline shall provide the Director of Law of City with a valid certificate or certificates evidencing the insurance policy or policies required hereunder. Such certificate or certificates shall as to form, coverage and carrier be subject to approval by the Director of Law of City. If at any time during the term of this Agreement the form, coverage or carrier on any policy shall become unsatisfactory to the Director of Law of City, Airline shall, forthwith, provide a new policy meeting the requirements of the Director of Law of City provided that such requirements are in conformance to the conditions hereof, and are in keeping with policy conditions usual and customary to such types of policies. At least thirty days prior to the expiration or termination of any policy provided hereunder, Airline shall deliver to the Director of Law of City and the Trustee verified certificates evidencing the renewal or replacement policies.

City, for the mutual benefit of City and Airline, shall purchase and maintain public liability insurance for claims arising out of bodily injury or property damage occurring in, on or about the Airport System in an amount agreed upon from time to time by both City and Airline which shall not be less than \$75,000,000. Any such insurance maintained by City may be counted toward the

fulfillment of the requirements of this Section 10.02 as well as any requirements of the Original Lease that City maintain such insurance in any amount specified therein.

10.03 Damage or Destruction

If, prior to the Defeasance Date, the Continental Special Facilities shall be damaged or partially or totally destroyed by fire, flood, windstorm, or other casualty, there shall be no abatement or reduction in the Basic Rent or Bond Rent payable by Airline. Continental assigns to City all its rights to the proceeds of any property insurance for the damage or destruction of the Continental Special Premises, and City agrees to apply such proceeds and any other moneys Airline or any other party may provide for that purpose (i) to the repair or reconstruction of the Continental Special Premises to the fullest extent that such proceeds and other moneys suffice for that purpose and such repair or reconstruction is feasible, but without assuming any obligation to use or apply any other moneys or revenues for that purpose and (ii) to the payment of Bond Service Charges on the Bonds by depositing said proceeds with the Trustee for deposit in the Bond Fund to be applied in accordance with the Indenture, if and to the extent that such repair or reconstruction is not feasible. City shall give prompt written notice to the Trustee of any damage or destruction of the Continental Special Premises. In the event that any insurance proceeds are net of a deductible, Airline shall pay to City the amount of such deductible. City shall also be required to so apply the proceeds of any insurance policies of City received by City as a result of such damage or destruction.

In the event of damage, destruction or loss of any portion of the Continental Special Premises by an insured risk after the Defeasance Date, which damage, destruction or loss is not capable of being repaired within ninety (90) days, Airline shall have the option, exercisable by written notice given to City within sixty (60) days after the occurrence of such event, to terminate this Agreement forthwith. If this Agreement is so terminated, City shall receive from the insurance proceeds an amount equal to the full insurable value minus the net book value, with Airline receiving the balance. If this Agreement is not terminated as aforesaid, or if such damage, destruction or loss is capable of being repaired within said ninety (90) day period, the provisions of the immediately preceding paragraph shall apply; provided, however, that if such damage, destruction or loss occurs within six (6) months of the expiration of this Agreement, than Airline shall have the option either to effect such repair, replacement, restoration or rebuilding or in lieu thereof, to terminate forthwith the Agreement and make payment of the insurance proceeds received by reason of such damage, destruction or loss to City in accordance with the provisions of the immediately preceding paragraph.

10.04 Waiver of Subrogation; Property Insurance

Airline and City, each for its own account, agree to purchase property insurance, subject to such deductibles as are reasonable, at replacement cost on buildings, contents, equipment (mobile and fixed) and improvements and betterments owned or for which each may be responsible, to cover damage caused by fire and perils normally covered by extended coverage insurance, and, at the option of either party, such other perils as are customarily included in the term "all risk", available in Cleveland, Ohio. Airline shall provide City, and the Trustee with a certificate of insurance which indicates the insurance company will provide City, and the Trustee with at least thirty (30) days advance notice of cancellation or material restriction in coverage thereunder. Each insurance policy, whether or not specifically referred to herein, shall not, as a condition of coverage, prohibit any insured from waiving his right of recovery against any party for loss or damage to the insured property. Subject to the foregoing, City and Airline each hereby waive all claims and right of recovery against the other for damage to personal property to the extent that recovery is obtained or could be obtained from the insurance company. Extent of recovery shall include that amount actually paid by an insurance company less any deductibles or coinsurance penalties applicable.

(End of Article X)

ARTICLE XI - EMINENT DOMAIN

If, prior to the Defeasance Date, title to or the temporary use of the Continental Special Facilities, or any part thereof, or improvement thereon, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, there shall be no abatement or reduction in the Basic Rent or Bond Rent payable by Airline. Continental assigns to City all its rights to the proceeds of any award received by Airline upon any such taking, and City agrees to apply such proceeds any other moneys Airline or any other party may provide for that purpose (i) to the extent feasible, to the replacement of the Continental Special Facilities to the fullest extent that such proceeds and other moneys suffice for that purpose, but without assuming any obligation to use or apply any other moneys or revenues for that purpose and (ii) if, and to the extent such replacement is not feasible, to the payment of Bond Service Charges by depositing such proceeds with the Trustee for deposit in the Bond Fund and application in accordance with the Indenture.

If, following the Defeasance Date, title to or temporary use of the Continental Special Facilities, or any part thereof, or improvement thereon shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Airline shall have the option, exercisable by written notice from Airline to City within 60 days after the occurrence of such event, to terminate this Agreement. If this Agreement is so terminated, City shall receive from the proceeds of any award received by Airline an amount equal to the full insurable value minus the net book value, with Airline receiving the balance. If this Agreement is not terminated as aforesaid, the provisions of the immediately preceding paragraph shall apply; provided, however, that if such event occurs within six (6) months of the expiration of this Agreement, then Airline shall have the option either to effect such replacement or, in lieu thereof, to terminate forthwith the Agreement and make payment of the award proceeds received by reason of the taking in accordance with the provisions of the immediately preceding paragraph.

(End of Article XI)

ARTICLE XII - DEFAULTS

12.01 Events of Default

Time is of the essence in this Agreement. Airline agrees that each of the following circumstances or conditions shall constitute an "Event of Default" hereunder: (a) if (i) Airline shall be in default in the payment of Bond Rent, or (ii) Airline shall be in default in the payment of Basic Rent, additional rent pursuant to Section 7.05(b) or any other rentals or other payments to be made by it to City pursuant to this Agreement for ten days after written demand shall have been made therefor by City; or (b) if Airline shall neglect, violate, be in default under, or fail to perform or observe any of the other covenants, agreements, terms or conditions contained in this Agreement on its part to be performed (except Section 17.02 hereof, which shall be governed by Section 7(e) (i) of the Bond Legislation) and shall not have remedied, or commenced action which will promptly remedy same which action is thereafter diligently pursued, within ten days after written notice thereof given by City; or (c) if any execution or attachment shall be issued against Airline in connection with its operation at the Continental Special Facilities and such execution or attachment shall not be discharged within ninety days after levy or seizure thereunder, or the Continental Special Facilities shall be occupied by someone other than Airline and other than as permitted under Article XIII hereof; or (d) if the Continental Special Facilities shall be deserted or vacated, of which fact City shall be the sole judge; or (e) if Airline shall violate any provision of any of the insurance policies referred to herein so that such policy shall be void or unenforceable in whole or in part and Airline shall not, within ten days after being required in writing by City so to do, either cure such violation and cause such policy to be reinstated or procure other insurance of the same amount, which shall conform to the provisions for insurance referred to herein, and shall be enforceable; or (f) if Airline shall in any way fail to perform and satisfy the requirements of any insurance policy referred to herein, and shall continue in such failure for ten days after being required in writing by City to conform to such requirements; or (g) if any of the following events shall have occurred:

- (i) The filing by Airline of a voluntary petition in bankruptcy or for an arrangement or any assignment for benefit of creditors of all or any part of Airline's assets;
- (ii) The adjudication of Airline as a bankrupt pursuant to any involuntary bankruptcy proceedings;
- (iii) The taking of jurisdiction by a court of competent jurisdiction of Airline or its assets pursuant to proceedings brought under the provisions of any federal reorganization act; or
- (iv) The appointment of a receiver or trustee of Airline's assets by a court of competent jurisdiction or a voluntary agreement with Airline's creditors.

12.02 Remedies

Whenever an Event of Default shall have occurred and be continuing, City may take any one or more of the following remedial steps:

a. City shall have the right, with or without terminating this Agreement, to re-enter the Continental Special Premises and take possession of the same by summary proceedings, re-entry or otherwise, and remove all persons and/or property from the Continental Special Premises (which property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Airline), without being liable to indictment, prosecution or damages therefor, and without prejudice to any other rights which City may have by reason of such Event of Default.

b. City shall have the right to relet the Continental Special Facilities, subject to the limitations on its doing so set forth in the Indenture.

c. City shall have the right to terminate this Agreement and all rights of Airline hereunder by giving 60 days'

written notice of such termination to Airline and the Trustee, subject to the limitations on its doing so set forth in the Indenture.

12.03 Effect of Termination

In case of termination of this Agreement pursuant to Section 12.02 hereof, (a) all payments to be made by Airline to City pursuant to this Agreement shall be prorated for the portion of the current calendar year prior to the time of such termination and shall become due and payable forthwith, and (b) Airline shall also pay to City, as liquidated damages for the failure of Airline to observe and perform Airline's covenants to pay Basic Rent herein contained, any deficiencies between (i) the rentals, charges and fees which would have been payable by Airline to City through the Termination Date other than Bond Rent, and (ii) the rentals, charges and fees other than Bond Rent collected from any subsequent users of the Continental Special Facilities. Any such liquidated damages shall be paid in monthly installments by Airline as determined upon statements rendered by City to Airline, and any suit brought to collect the amount of deficiency for any month shall not prejudice in any way the rights of City to collect the deficiency for any subsequent month by a similar proceeding. Airline shall also remain liable for any loss, cost, damage or expense, including reasonable attorneys' fees, which City may sustain by reason of the happening of any such event.

12.04 Additional Rights of City

In the event of an Event of Default or threatened breach or default by Airline of any of the covenants or provisions hereof, City shall have the right to injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for. Mention in this Agreement of any particular remedy shall not preclude City from any other remedy, in law or in equity.

(End of Article XII)

ARTICLE XIII - ASSIGNMENT AND SUBLETTING

13.01 Assignment or Sublease

Airline covenants that it will not assign, transfer, convey, sublet, sell, mortgage, pledge or encumber this Agreement, the Continental Special Facilities or any part thereof, or any rights of Airline hereunder or allow the use of the Continental Special Facilities hereunder by any other person, except to the Trustee in accordance with the Indenture or as otherwise provided in this Agreement, without in each instance having first obtained written approval from the Board of Control of City; provided, however, that without such consent Airline may assign its rights under this Agreement to any corporation with which Airline may merge or consolidate or which may succeed to the business of Airline. Consent by the Board of Control to any type of transfer described in this paragraph or elsewhere in this Agreement shall not in any way be construed to relieve Airline from obtaining authorization from the Board of Control for any subsequent transfer of any nature whatsoever.

In the event of any assignment or sublease pursuant hereto of all or any portion of the Continental Special Facilities under which the rental reserved in the assignment or sublease exceeds the rental or pro rata portion of the rental, as the case may be, for such space reserved in this Lease, Airline shall pay the City monthly, as additional rent, with the monthly installments of Basic Rent due hereunder, the excess of the rental reserved in the assignment or sublease over the rental reserved in this Lease applicable to the assigned or subleased space.

13.02 Requests For Assignment or Sublease

Any and all requests by Airline for authorization to make any transfer described in Section 13.01 shall be made in writing by certified mail to the Director of Port Control and shall include copies of the proposed documents of transfer.

13.03 Filing of Assignment or Sublease

If and when the Board of Control of City authorizes any transfer as described in Section 13.01, the instrument or document of authorization together with the instrument or document of transfer shall be filed with the Director of Port Control and attached to this Agreement. The instruments and documents shall not be effective without the prior approval of the Director of Law of City endorsed thereon. Airline shall remain primarily liable for the payment of rentals hereunder and the performance of all terms, conditions, covenants and conditions hereof, notwithstanding the authorization of any transfer, assignment, conveyance, subletting, sale, mortgage, pledge or encumbrance hereunder by the Board of Control of City.

13.04 Application of Rent

If this Agreement be assigned or if the Continental Special Facilities be sublet or occupied by any party other than by Airline, or should any other transfer of interest or rights of any nature prohibited by Section 13.01 occur other than to the Trustee in accordance with the Indenture without authorization of the Board of Control of City, City may collect rent from any assignee, sublessee or transferee and in such event shall apply the net amount collected to the rents payable by Airline hereunder, but such action by City shall not constitute a waiver of the covenant contained in Section 13.01, or acceptance of such assignee, sublessee, or transferee by City, or a release of Airline from this Agreement or any of its obligations hereunder.

(End of Article XIII)

ARTICLE XIV - AIRLINE'S RIGHT TO TERMINATE

a. Airline may terminate this Agreement only at the time, under the conditions and in the manner permitted in Section 3.01 hereof.

b. Subject to the restrictions in Section 3.01 and this Section 14.01 on Airline's termination of this Agreement and Airline's obligations to pay rentals, fees and charges under this Agreement, Airline shall be entitled to make use of any remedy that might be available to it in the event City shall fail to perform, keep and observe any of the terms, covenants or conditions herein contained on the part of City to be performed, kept or observed, provided that such terms, covenants or conditions are within the power and ability of City to perform, keep or observe.

(End of Article XIV)

ARTICLE XV - DELIVERY OF POSSESSION

Airline agrees to yield and deliver to City possession of the Continental Special Facilities at the termination of this Agreement, by expiration or otherwise, or of any renewal or extension hereof, in good condition in accordance with its express obligations hereunder, except for damage or loss due to reasonable wear and tear or fire or other casualty.

(End of Article XV)

ARTICLE XVI - HOLDING OVER

If Airline shall, with the consent of City, hold over after the expiration or earlier termination of the term of this Agreement, the resulting tenancy shall, unless otherwise mutually agreed, be for an indefinite period of time on a month-to-month basis. During such month-to-month tenancy, Airline shall pay to City the same rate of Basic Rent as in effect at the expiration of the final Additional Term and thereafter subsequently adjusted as herein provided, unless a different rate shall be agreed upon, and shall be bound by all of the additional provisions of this Agreement insofar as they may be pertinent.

(End of Article XVI)

ARTICLE XVII - MISCELLANEOUS PROVISIONS

17.01 No Personal Liability

No elected official, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or because of any breach thereof or because of its or their execution or attempted execution.

17.02 Tax-Exempt Status of Bonds

Airline will not take, or cause to be taken, any action which would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds to owners of Bonds other than any owner who is a "substantial user" of the Continental Special Facilities or a "related person" within the meaning of Section 147(a) of the Code.

17.03 Taxes

Airline shall pay, but such payment shall not be considered part of Basic Rent, Bond Rent or any other rent payable hereunder, all taxes, assessments and charges of a like nature, if any, imposed upon or with respect to the Continental Special Facilities which at any time during the term of this Agreement may be levied or become a lien by virtue of any levy, assessment or charge by the Federal Government, the State of Ohio, any municipal corporation, any governmental successor in authority to the foregoing, or any other tax or assessment levying bodies, in whole or in part, upon or in respect to the Continental Special Facilities or in respect to or upon any personal property belonging to Airline situated on the Continental Special Facilities. Payment of such taxes, assessments and charges, when and if levied or assessed, shall be made by Airline directly to the taxing or assessing authority charged with collection thereof in accordance with applicable law, and Airline shall be responsible for obtaining bills for all of said taxes, assessments and charges and promptly providing City with evidence of payment therefor. If any tax, assessment or like levy in the nature of a real estate tax chargeable to the Continental Special Facilities is not separately stated and billed by the taxing authority, but is included in a larger area billing or assessment, upon receipt of such billing or assessment by City, City shall bill Airline for and Airline shall pay to City its share of said larger area tax billing. Airline's share shall be determined by multiplying the amount of such larger area tax billing by a fraction the numerator of which is the Basic Rent realized from the Continental Special Facilities, and the denominator of which is the income realized from all property comprising the tax billing, such determination to be made by City after consultation with the parties involved in such billing.

Airline may, at its expense, contest the amount or validity of any tax or assessment against the Airport System, or the inclusion of the Continental Special Facilities as taxable or assessable property, directly against the taxing or assessing authority, after providing such security to City as the Director of Law of City deems adequate to cover any delinquency, penalty and interest charges that may arise from such contest. Airline shall indemnify City from all taxes, penalties, cost, expense and attorneys' fees incurred by City resulting directly or indirectly from all such tax contests.

Upon any termination of this Agreement, all taxes then levied or a lien upon any of such property or taxable interest therein for which Airline is responsible pursuant to this Section 17.03 shall be paid in full without proration by Airline forthwith, or as soon as a statement thereof has been issued by the tax collector if termination occurs during the interval between the attachment of the lien and issuance of the statement.

17.04 Interpretation of Agreement

This Agreement shall be deemed to have been made in, and be construed in accordance with the laws of, the State of Ohio.

17.05 Notices

Except as herein otherwise expressly provided, all

notices required to be given to City hereunder shall be in writing and shall be sent by United States Certified Mail, return receipt requested, addressed to:

Director of Port Control
Second Floor, Terminal Building
Cleveland Hopkins International Airport
5300 Riverside Drive
Cleveland, Ohio 44135-3193

and

Director of Law
City of Cleveland
601 Lakeside Avenue
Cleveland, Ohio 44114;

all notices by City to Airline shall be in writing and shall be sent by United States Certified Mail, return receipt requested, addressed to:

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019
Attention: Chief Financial Officer

with a copy to:

General Counsel and Corporate Secretary

and all notices to the Trustee shall be in writing and shall be sent by United States Certified Mail, return receipt requested addressed to:

The Huntington National Bank
Corporate Trust Department
Huntington National Bank Building
917 Euclid Avenue
Cleveland, Ohio 44115

The parties, or either of them, may designate in writing from time to time any changes in addresses or any addresses of substitute or supplementary persons in connection with said notices. The effective date of service of any such notice shall be the date such notice is received by Airline or by City. Any provision herein that one party shall notify the other of some matter is to be construed as a requirement that notice is to be given in accordance with the provisions of this Section 17.05.

17.06 Entire Agreement; Amendment

This Agreement constitutes the entire agreement between the parties hereto with respect to the Continental Special Facilities and supersedes all other representations or statements heretofore made, oral or written, except as otherwise herein provided. This Agreement may be amended only in writing, and executed by duly authorized representatives of the parties hereto in accordance with the terms of the Indenture, provided that the description of the Improvements set forth herein may be revised from time to time on the written request of Airline approved in writing by the Director of Port Control on behalf of City, provided that no such revision materially alters the Continental Special Facilities as initially contemplated hereunder.

17.07 Waiver

No waiver of default by either party of any of the terms, covenants and conditions hereof to be performed, kept and observed by the other party shall be construed as, or operate as, a waiver of any subsequent default of any of the terms, covenants or conditions herein contained, to be performed, kept and observed by the other party.

17.08 Non-Discrimination

Airline for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree "as a covenant running with the land" that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Agreement for a purpose for which a U. S. Depart-

ment of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, Airline shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

Airline for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree "as a covenant running with the land" (1) that no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, in the construction of any improvements on, over, or under such land and the furnishing of services thereon, and (3) that Airline shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-discrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

In the event of breach of any of the above non-discrimination covenants, City shall have the right to terminate this Agreement and to re-enter and repossess said land and the facilities thereon, and hold the same as if said Agreement had never been made or issued.

17.09 Force Majeure

Neither City nor Airline shall be deemed in violation of this Agreement if it is prevented from performing any of the obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortage of material, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, riots, rebellion, sabotage, or any other circumstances for which it is not responsible or which is not within its reasonable control; provided, however, that these provisions shall not excuse Airline from its obligation to pay the rentals specified in Sections 7.02, 7.03 and 7.05. City agrees to use its best efforts to restore any interrupted utilities or services which it is obligated to furnish or provide under this Agreement but Airline shall not be entitled to any abatement of rental payments or discharge of rental obligations in the event of any interruption or cessation of any utilities or services.

17.10 Severability

In the event any covenant, condition or provision herein contained is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided the invalidity of any such covenant, condition or provision does not materially prejudice either City, Trustee, Bondholders, or Airline in their respective rights and obligations contained in the valid covenants, conditions and provisions of this Agreement.

17.11 Headings

The headings of the several Articles and Sections of this Agreement are inserted only as a matter of convenience and for reference, in no way define, limit or describe the scope or intent of any provisions of this Agreement and shall not be construed to affect in any manner the terms and provisions hereof or the interpretation or construction thereof.

17.12 Non-Exclusivity

Nothing herein contained shall be deemed to grant to Airline any exclusive right or privilege within the meaning of Section 30 of the Federal Aviation Act for the conduct of any activity on the Airport, except that, subject to the terms and provisions hereof, Airline shall have the right to exclusive

possession of the Exclusive Continental Special Premises.

17.13 Approvals

Whenever the approval of City or of Airline is required herein, no such approval shall be unreasonably requested, withheld or delayed. Unless otherwise specified herein all approval shall be in writing.

17.14 Binding Nature

All of the terms, provisions, covenants, stipulations, conditions and considerations in this Agreement shall extend to and bind the legal representatives, successors, sublessees and assigns of the respective parties hereto.

17.15 Inspection

City reserves the right to inspect the Continental Special Facilities at any and all reasonable times throughout the term of this Agreement provided that it shall not interfere unduly with Airline's operations and that it gives Airline reasonable advance notice. The right of inspection reserved to City hereunder shall impose no obligation on City to make inspections to ascertain the condition of the premises and shall impose no liability upon City for failure to make such inspections.

17.16 Incorporation of Exhibits

All exhibits referred to herein and any appendices, exhibits or schedules which may, from time to time, be referred to in any duly executed amendment hereto are (and with respect to future amendments, shall be) by such reference incorporated herein and shall be deemed a part of this Agreement as fully as if set forth herein.

17.17 Public Contract

This Agreement is a "public contract" within the meaning of the provisions of Sections 665.01 through 665.08 inclusive of the Codified Ordinances of Cleveland, Ohio 1976, and Airline is a "public contractor" as such term is defined therein. Pursuant to the requirements of aforementioned Sections of the Codified Ordinances of City, the following Equal Employment Opportunity Clause is included in this Agreement and made part hereof. At all times during the term of this Agreement, Airline (referred to in the following provisions as the "contractor") shall abide by and comply with each and every term, condition and requirement set forth in the following Equal Employment Opportunity Clause.

a. The contractor shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age or handicap. The contractor shall take affirmative action to insure that applicants are employed and that employees are treated during employment, without regard to their race, religion, color, sex, national origin, age or handicap. As used herein, "treated" means and includes, without limitation, the following: recruited, whether by advertising or other means; compensated, whether in the form of rates of pay or other forms of compensation; selected for training, including apprenticeship; promoted; upgraded; demoted; downgraded; transferred; laid off; and terminated. The contractor agrees to and shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officers setting forth the provisions of this non-discrimination clause.

b. The contractor shall in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, religion, color, sex, national origin, age or handicap.

c. The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice advising the labor union or worker's representative of the contractor's commitments under the Equal Employment Opportunity Clause of City and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

d. The contractor shall furnish all information and

reports required by the Contract Compliance Officer of City pursuant to Sections 665.01 to 665.08, inclusive, and shall permit access to his books, records and accounts by the contracting agency and by the Contract Compliance Office for purposes of investigation to ascertain compliance with the program.

e. The contractor shall take such action with respect to any subcontractor as City may direct as a means of enforcing the provisions of paragraphs a. through h. herein, including penalties and sanctions for noncompliance, provided however, that in the event the contractor becomes involved in or is threatened with litigation as the result of such direction by City, City will enter into such litigation as is necessary to protect the interests of City and to effectuate City's Equal Employment Opportunity program and in the case of contracts receiving federal assistance, the contractor or City may request the United States to enter into such litigation to protect the interest of the United States.

f. The contractor shall file and shall cause his subcontractors, if any, to file compliance reports with City in the form and to the extent prescribed by the Contract Compliance Officer of City. Compliance reports filed at such times as directed shall contain information as to the employment practices, policies, programs and statistics of the contractor and his subcontractors.

g. The contractor shall include the provisions of paragraphs (a) through (h) of this Equal Employment Opportunity Clause in every subcontract or purchase order so that such provisions will be binding upon each subcontractor or vendor.

h. Refusal by the contractor or subcontractor to comply with any portion of this program as herein stated and described will subject the offending party to any or all of the following penalties:

- (1) Withholding of all future payments under the involved public contract to the contractor in violation until it is determined that the contractor or subcontractor is in compliance with the provisions of the contract;
- (2) Refusal of all future bids for any public contract with City or any of its departments or divisions until such time as the contractor or subcontractor demonstrates that he has established and shall carry out the policies of the program as herein outlined;
- (3) Cancellation of the public contract and declaration of forfeiture of the performance bond;
- (4) In cases in which there is substantial or material violation or the threat of substantial or material violation of the compliance procedure or as may be provided for by contract, appropriate proceedings may be brought to enforce those provisions, including the enjoining, within applicable laws, of contractors, subcontractors, or other organizations, individuals or groups who prevent directly, indirectly, or seek to prevent directly or indirectly, compliance with the policy, as herein outlined.

17.18 Memorandum of Lease

In the event that City so requests, Airline shall execute, attest, acknowledge and deliver for recording with the Recorder of Cuyahoga County a short form Memorandum of Lease of this Agreement and Lease, to be executed pursuant hereto in the form and content prescribed by Section 5301.251 of the Ohio Revised Code.

17.19 Continuation of Warranties

All warranties, express or implied, by contractors, materialmen and suppliers given to Airline in connection with the Continental Special Facilities shall run in favor of City as well as Airline, and Airline will take all steps reasonably necessary to enforce full and faithful performance of such warranties. Airline agrees that it will not compromise or settle any resulting claim or litigation without the concurrence of City.

Notwithstanding any provisions hereof, this Agreement does not constitute an appointment of Airline as an agent or representative of City for any purpose whatsoever, and neither a partnership nor a joint venture is created hereby.

(End of Article XVII)

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

ATTEST as to those signing on behalf of City of Cleveland:

THE CITY OF CLEVELAND

By: _____
Director of Finance

By: _____
Director of Port Control

ATTEST as to those signing on behalf of Continental Airlines, Inc.

CONTINENTAL AIRLINES, INC.

By: _____

Title: _____

The within instrument is hereby approved as to legal form and correctness _____, 19____

Director of Law

By _____
Assistant Director of Law

STATE OF OHIO) SS:
))
COUNTY OF CUYAHOGA)

Before me _____, a Notary public in and for said County, personally appeared Edward H. Richard, known to me to be the person who, as Director of Port Control of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of City of Cleveland, he signed said Agreement for and on behalf of the said City as its free and voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this ____ day of _____, 19__.

Notary Public

My commission expires:

STATE OF OHIO) SS:
)
COUNTY OF CUYAHOGA)

Before me _____, a Notary public in and for said County, personally appeared Charles E. Brown, known to me to be the persons who, as Director of Finance of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of City of Cleveland, he signed said Agreement for and on behalf of the said City as its free and voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this ____ day of _____, 19__.

Notary Public

My commission expires:

STATE OF) SS:
)
COUNTY OF)

Before me _____, a Notary Public in and for said County, personally appeared _____ known to me to be the person who as _____ of Continental Airlines, Inc. executed the above and foregoing Agreement and Lease and acknowledged that, being duly authorized by Resolution of the Board of Directors of said Corporation, he/she signed said Agreement for and on behalf of the said Corporation as its free and voluntary act and as his/her own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this ____ day of _____, 19__.

Notary Public

My commission expires:

EXHIBIT A

[Original Lease to be inserted]

EXHIBIT B

CONTINENTAL SPECIAL PREMISES

EXHIBIT C

ON-SITE IMPROVEMENTS

Remodel the ticket counter to accommodate new electronic state-of-the-art customer ticketing and processing equipment.

Construct approximately 24,000 square feet of new baggage claim and baggage make-up area adjacent to the Terminal Building, including baggage conveying and delivery equipment and construct a passenger walkway connecting this new area to the existing concourse.

Construct approximately 38,000 square feet of addition to the South Concourse to create new passenger departure lounges, operations offices and related space, Airline Lounge, concession and public circulation areas.

Remodel existing departure lounges and operational offices to conform to new space including carpeting, millwork, public seating and furnishing and painting and finishing.

Provide new moving walkways, passenger loading bridges, ground power and preconditioned air for aircraft and modifications to underground fueling system.

EXHIBIT D

HANGAR SITE IMPROVEMENTS

Remodel the hangar to include new roofing, expansion of electrical systems and additional lighting, plumbing for pneumatic air system, reconfigure hangar doors, new heating system, fire protection systems and interior and exterior painting.

EXHIBIT E

OFF-SITE IMPROVEMENTS
OTHER THAN HANGAR SITE IMPROVEMENTS

Remodel existing administration building to provide warehousing for aircraft parts and equipment and general administrative office functions.

Repair and expand concrete aprons and taxiways to accommodate aircraft access to the hangar and provide additional aircraft parking space.

Construct and equip a 40,000 square foot kitchen and meal preparation facility for inflight service of airline passengers. Reconfigure existing parking lot and establish new entrances and access automotive access and circulation.

EXHIBIT G

NOISE ABATEMENT PROCEDURES

[To be added]

CLEVELAND HOPKINS INTERNATIONAL AIRPORT

FIRST SUPPLEMENTAL
SPECIAL FACILITIES LEASE AGREEMENT

WITH

CONTINENTAL AIRLINES, INC.

Dated as of

March 1, 1998

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THIS FIRST SUPPLEMENTAL SPECIAL FACILITIES LEASE AGREEMENT ("Supplemental Agreement") is made and entered into as of this 1st day of March, 1998 upon the terms and conditions set forth herein, by and between the CITY OF CLEVELAND, a municipal corporation and political subdivision of the State of Ohio ("City"), and CONTINENTAL AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of Ohio ("Airline"), to supplement the 1989 Special Facilities Lease described below, under the following circumstances (capitalized words and terms in these preambles, unless stated otherwise or unless the context dictates otherwise, shall have the meanings given to them in Article I hereof):

WITNESSETH:

WHEREAS, City owns and operates Cleveland Hopkins International Airport ("Airport"); and

WHEREAS, the Council of City, pursuant to Ordinance No. 1585-A-76, passed on August 16, 1976, authorized City to enter into agreements and leases substantially in the form attached to that Ordinance as Exhibit A setting forth the terms on which certain airlines would lease portions of the Airport from City and be permitted to use the Airport's facilities; and

WHEREAS, the Council of City, pursuant to Ordinance No. 2551-A-82, passed on June 15, 1983, authorized City to enter into additional such agreements and leases with additional Scheduled Airlines (as defined therein); and

WHEREAS, pursuant to Ordinance No. 2551-A-82, City entered into an Agreement and Lease with Airline, dated as of May 15, 1987 (the "Original Lease"); and

WHEREAS, Section 20.20 of the Original Lease and Section 3(e) of Ordinance No. 1773-A-76, passed by the Council of City on August 16, 1976 permit City to issue Special Revenue Bonds to finance and refinance the construction of any Special Facilities (both as defined in the Original Lease); and

WHEREAS, pursuant to Ordinance No. 2729-89, passed by the Council of City on December 11, 1989, the Council of City authorized City, among other things, to issue and deliver its \$76,320,000 Airport Special Revenue Bonds, Series 1990 (Continental Airlines, Inc. Project) (the "Series 1990 Bonds") and to execute and deliver a Special Facilities Lease (the "1989 Lease") to secure repayment of bond service charges on the Series 1990 Bonds by Airline; and

WHEREAS, pursuant to Ordinance No. 3005-90, passed by the Council of City on February, 1991, the Council of City authorized an amendment to the 1989 Special Facilities Lease by modifying the scope of the improvements made pursuant to the 1989 Special Facilities Lease from the proceeds of the Series 1990 Bonds and by amending Exhibits B, C, D and E thereto; and

WHEREAS, pursuant to Ordinance No. 2044-97, passed by the Council of City on January 26, 1998, the Council of City authorized City, among other things, to (i) issue its \$75,120,000 Airport Special Revenue Bonds, Series 1998 (Continental Airlines, Inc. Project) (the "Series 1998 Bonds") for the purpose of constructing certain improvements at the Airport as part of an Expansion Program (as defined in Ordinance No. 2044-97) and (ii) enter into this Supplemental Special Agreement; and

WHEREAS, the expansion program has resulted in the need to modify further the scope of the Continental Special Facilities which are to be governed by the terms of the 1989 Special Facilities Lease, as heretofore and hereafter supplemented and amended;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants, agreements and conditions contained herein, the parties hereto agree as follows:

Section 1. Use of Defined Terms. Unless otherwise defined herein and except as otherwise stated herein, all capitalized words and terms defined in the Original Lease or the 1989 Lease and used herein are used herein with the definition assigned to them in the

Original Lease or the 1989 Lease, respectively, and upon the execution and delivery of this Supplemental Agreement, the term "Agreement" shall include and incorporate this Supplemental Agreement together with the 1989 Lease, as heretofore amended and supplemented. The following words and terms are used herein with the following definitions, which definitions supplement and amend the definitions set forth in Article I of the 1989 Lease:

"Continental Special Premises" means the real property described in Exhibit A hereto and the On-Site Improvements, exclusive of any concession space, the construction cost of which was paid to Airline by City pursuant to Section 2.05 hereof.

"Hangar Site Improvements" means the Improvements to the Hangar Site described in Exhibit C hereto.

"Off-Site Improvements" means the Hangar Site Improvements and the other improvements described in Exhibit C hereto.

"On-Site Improvements" means the improvements described in Exhibit B hereto, made at the Continental Special Premises.

Section 2. Leased Premises; Existing Lease. City, in consideration of the payment of Basic Rent and Bond Rent and the covenants and agreements stated in the 1989 Lease, as heretofore supplemented and amended and as further supplemented and amended by this Supplemental Agreement, agrees to lease the Continental Special Facilities to Airline, and does hereby confirm the lease made to Airline pursuant to the 1989 Lease, as hereby amended and supplemented, and Airline acknowledges such lease of the Continental Special Facilities. The 1989 Lease, as heretofore amended and supplemented, shall remain in full force and effect as originally written, except as hereby supplemented and amended.

Section 3. No Personal Liability. No elected official, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Supplemental Agreement or because of any breach thereof or because of its or their execution or attempted execution.

Section 4. Interpretation of Agreement. This Supplemental Agreement shall be deemed to have been made in, and be construed in accordance with the laws of, the State of Ohio.

Section 5. Entire Agreement; Amendment. The Agreement, as supplemented by this Supplemental Agreement, constitutes the entire agreement between the parties hereto with respect to the Continental Special Facilities and supersedes all other representations or statements heretofore made, oral or written, except as otherwise herein provided. This Supplemental Agreement may be amended only in writing, and executed by duly authorized representatives of the parties hereto in accordance with the terms applicable to amendments to the Agreement as set forth in the Indenture, provided that the description of the Improvements set forth in the 1989 Lease as heretofore and herein revised may be revised from time to time on the written request of Airline approved in writing by the Director of Port Control on behalf of City, provided that no such revision materially alters the Continental Special Facilities as initially contemplated hereunder.

Section 6. Severability. In the event any covenant, condition or provision herein contained is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided the invalidity of any such covenant, condition or provision does not materially prejudice either City, Trustee, Bondholders, or Airline in their respective rights and obligations contained in the valid covenants, conditions and provisions of this Agreement.

Section 7. Recording; Memorandum of Lease. This Supplemental Agreement shall be recorded with the Recorder of Cuyahoga County or, in the alternative, in the event that either party so requests, the parties hereto shall execute, attest, acknowledge and deliver for recording with the Recorder of Cuyahoga County a short form Memorandum of Lease of this Supplemental Agreement, to be executed pursuant hereto in the form and content prescribed by Section 5301.251 of the Ohio Revised Code.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

ATTEST as to those signing on behalf of the City of Cleveland:

CITY OF CLEVELAND

Printed Name

By: _____
Mayor

Printed Name

By: _____
Director of Finance

By: _____
Acting Director of
Port Control

The within instrument is hereby approved as to form and correctness _____, 1998

Director of Law

By _____
Assistant Director of Law

ATTEST as to those signing on behalf of Continental Airlines, Inc.:

CONTINENTAL AIRLINES, INC.

Printed Name

By: _____
Title: _____

Printed Name

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County, personally appeared Michael R. White, known to me to be the person who, as Mayor of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of the City of Cleveland, he signed said Agreement for and on behalf of the said City as its free and voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County, personally appeared Martin Carmody, known to me to be the person who, as Director of Finance of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of the City of Cleveland, he signed said Agreement for and on behalf of the said City as its free and voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County, personally appeared LaVonne Sheffield-McLain, known to me to be the person who, as Acting Director of Port Control of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of the City of Cleveland, she signed said Agreement for and on behalf of the said City as its free and voluntary act, and as her own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

EXHIBIT A

EXHIBIT B

ON-SITE IMPROVEMENTS

Remodel the ticket counter to accommodate new electronic state-of-the-art customer ticketing and processing equipment.

Construct approximately 77,300 square feet of addition to the South Concourse (also known as Concourse C) to create new passenger departure lounges, operations offices and related space, concession and public circulation areas.

Remodel existing departure lounges and operational offices to conform to new space including carpeting, public seating and furnishing and painting and finishing.

Provide new passenger loading bridges, ground power for aircraft and modifications to underground fueling system.

EXHIBIT C

HANGAR SITE IMPROVEMENTS

Remodel the hangar to include new roofing, expansion of electrical systems and additional lighting, new heating system and interior and exterior painting.

OTHER OFF-SITE IMPROVEMENTS

Construct and equip a mobile ground service equipment (GSE) building with maintenance work bays, paint booths, wash racks, a waste oil collection system, central compressed air system and related office space.

Repair and expand concrete aprons and taxiways to accommodate aircraft access to the hangar and provide additional aircraft parking space.

Construct and equip a 40,000 square foot kitchen and meal preparation facility for inflight service of airline passengers. Reconfigure existing parking lot and establish new entrances and access automotive access and circulation.

CLEVELAND HOPKINS INTERNATIONAL AIRPORT

SECOND SUPPLEMENTAL
SPECIAL FACILITIES LEASE AGREEMENT

WITH

CONTINENTAL AIRLINES, INC.

\$71,440,000 City of Cleveland, Ohio
Airport Special Revenue Refunding Bonds
Series 1999
(Continental Airlines, Inc. Project)

Dated as of

March 1, 1998

But effective as set forth herein

Squire, Sanders & Dempsey L.L.P.
Bond Counsel

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THIS SECOND SUPPLEMENTAL SPECIAL FACILITIES LEASE AGREEMENT ("Supplemental Agreement") is made and entered into as of this 1st day of March, 1998 but effective as of the date of delivery of the Series 1999 Bonds (defined herein) and defeasance of the Series 1990 Bonds (defined herein) upon the terms and conditions set forth herein, by and between the CITY OF CLEVELAND, a municipal corporation and political subdivision of the State of Ohio ("City"), and CONTINENTAL AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of Ohio ("Airline"), to supplement the 1989 Special Facilities Lease described below, under the following circumstances (capitalized words and terms in these preambles, unless stated otherwise or unless the context dictates otherwise, shall have the meanings given to them in Article I hereof):

WITNESSETH:

WHEREAS, City owns and operates Cleveland Hopkins International Airport ("Airport"); and

WHEREAS, the Council of City, pursuant to Ordinance No. 1585-A-76, passed on August 16, 1976, authorized City to enter into agreements and leases substantially in the form attached to that Ordinance as Exhibit A setting forth the terms on which certain airlines would lease portions of the Airport from City and be permitted to use the Airport's facilities; and

WHEREAS, the Council of City, pursuant to Ordinance No. 2551-A-82, passed on June 15, 1983, authorized City to enter into additional such agreements and leases with additional Scheduled Airlines (as defined therein); and

WHEREAS, pursuant to Ordinance No. 2551-A-82, City entered into an Agreement and Lease with Airline, dated as of May 15, 1987 (the "Original Lease"); and

WHEREAS, Section 20.20 of the Original Lease and Section 3(e) of Ordinance No. 1773-A-76, passed by the Council of City on August 16, 1976 permit City to issue Special Revenue Bonds to finance and refinance the construction of any Special Facilities (both as defined in the Original Lease); and

WHEREAS, pursuant to Ordinance No. 2729-89, passed by the Council of City on December 11, 1989, the Council of City authorized City, among other things, to issue and deliver its \$76,320,000 Airport Special Revenue Bonds, Series 1990 (Continental Airlines, Inc. Project) (the "Series 1990 Bonds") and to execute and deliver a Special Facilities Lease (the "1989 Special Facilities Lease") to secure repayment of bond service charges on the Series 1990 Bonds by Airline; and

WHEREAS, pursuant to Ordinance No. 3005-90, passed by the Council of City on February 11, 1991, the Council of City authorized an amendment to the 1989 Special Facilities Lease by modifying the scope of the improvements made to the 1989 Special Facilities Lease and amending Exhibits B, C, D and E thereto; and

WHEREAS, pursuant to Ordinance No. 2044-97, passed by the Council of City on January 26, 1998, the Council of City authorized City, among other things, to (i) issue its \$71,440,000 Airport Special Revenue Refunding Bonds, Series 1999 (Continental Airlines, Inc. Project) (the "Series 1999 Bonds") for the purpose of refunding the Series 1990 Bonds on December 1, 1999, (ii) enter into the First Supplemental Special Facilities Lease and (iii) enter into this Supplemental Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants, agreements and conditions contained herein, the parties hereto agree as follows:

Section 1. Use of Defined Terms. Unless otherwise defined herein and except as otherwise stated herein, all capitalized words and terms defined in the Original Lease or the 1989 Special Facilities Lease and used herein are used herein with the definition assigned to them in the Original Lease or the 1989 Special Facilities Lease, respectively, and upon the effectiveness of this Supplemental Agreement, the term "Agreement" shall include and incorporate this Supplemental Agreement together with the 1989

Special Facilities Lease. Reference to the term "this Lease" in the 1989 Special Facilities Lease shall then mean the Agreement, as heretofore and hereby amended and supplemented. Capitalized terms used herein without definition herein or in the Original Lease or the 1989 Special Facilities Lease shall have the meanings set forth in the Indenture (defined herein). The following words and terms are used herein with the following definitions, which definitions supplement and amend the definitions set forth in Article I of the 1989 Special Facilities Lease as of the effective date of this Supplemental Agreement:

"Agreement" means, collectively, the 1989 Special Facilities Lease as supplemented and amended pursuant to Ordinance No. 3005-90 and by the First Supplemental Lease and this Supplemental Agreement, as it may be further amended or supplemented from time to time.

"Best Efforts", when describing an obligation of City, shall not include the obligation to invoke City's police powers or any other power or authority derived solely from City's status as a municipal corporation or public utility that is different from the power or authority of a private commercial landlord.

"Bonds" means the Series 1999 Bonds and any Additional Bonds (as defined in the Indenture) issued pursuant to the Indenture.

"First Supplemental Lease" means the First Supplemental Special Facilities Lease between City and Airline dated as of March 1, 1998, authorized pursuant to Ordinance No. 2044-97, passed by the Council on January 26, 1998.

"Indenture" means the Trust Indenture dated as of March 1, 1998 between City and the Trustee pursuant to which the Series 1999 Bonds are being issued, as it may be amended or supplemented from time to time.

"Series 1990 Indenture" means the Trust Indenture dated as of December 1, 1989 between City and The Huntington National Bank, as Trustee for the Series 1990 Bonds, pursuant to which the Series 1990 Bonds were issued.

"Trustee" means Chase Manhattan Trust Company, National Association.

Section 2. Leased Premises; Existing Lease. City, in consideration of the payment of Basic Rent and Bond Rent and the covenants and agreements stated in the 1989 Special Facilities Lease, as heretofore supplemented and amended and as further supplemented and amended by this Supplemental Agreement, agrees to lease the Continental Special Facilities to Airline, and does hereby confirm the lease made to Airline pursuant to the 1989 Special Facilities Lease, as hereby amended and supplemented, and Airline acknowledges such lease of the Continental Special Facilities. The 1989 Special Facilities Lease, as heretofore amended and supplemented, shall remain in full force and effect as originally written, except as hereby supplemented and amended.

Section 3. Issuance of Series 1999 Bonds. In order to provide funds for the refunding of the Series 1990 Bonds and to pay certain costs of issuance of the Series 1999 Bonds, City agrees to authorize, issue, sell and deliver the Series 1999 Bonds in the principal amount, payable and redeemable, all as set forth in the Indenture and City agrees to deposit the proceeds of the Series 1999 Bonds as provided in the Indenture.

Section 4. Bond Rent. Section 7.05 of the 1989 Special Facilities Lease is hereby amended and supplemented as of the effective date of this Supplemental Agreement to read in its entirety as follows:

"All capitalized words and terms used in this Section 7.05 but not otherwise defined in this Agreement shall have the meanings assigned to them in the Indenture.

a. Airline shall pay Bond Rent by making payments to the Trustee for the account of City on the following dates and in the following amounts:

(i) On or before each Interest Payment Date and each other date on which interest on Bonds is

payable (whether at stated maturity, upon mandatory redemption or upon acceleration of Bonds by the Trustee in accordance with the Indenture), Airline shall pay an amount which, together with other amounts on deposit in the Interest Account created under the Indenture, will be sufficient to pay the interest on Bonds payable on that date; provided, however, that no Event of Default shall occur hereunder if any such payment is made within two business days of such Interest Payment Date.

(ii) On or before each date on which principal of Bonds is payable (whether at stated maturity, upon mandatory redemption or upon acceleration of Bonds by the Trustee in accordance with the Indenture), Airline shall pay an amount which, together with other amounts on deposit in the Principal Account created under the Indenture, will be sufficient to pay the principal of Bonds payable on that date; provided, however, that no Event of Default shall occur hereunder if any such payment is made within two business days of such Interest Payment Date.

(iii) On or before each optional redemption date, Airline shall pay an amount which, together with other amounts on deposit in the Redemption Account created under the Indenture, will be sufficient to pay the principal of and premium, if any, on Bonds to be redeemed by optional redemption on that date.

b. In addition to the Bond Rent, and in the manner hereinafter provided, Airline shall pay as "additional rent" (i) to the Trustee for the account of City, such amounts as shall be required to satisfy any requirement to pay the Rebate Amount to the United States as provided in the Indenture, (ii) all amounts due under the Indenture to the Trustee, Paying Agent, and Authenticating Agent (each as defined in the Indenture) and (iii) all other amounts payable by the City under the terms of the Indenture (other than Bond Service Charges).

c. All Bond Rent and all additional rent payable pursuant to subsection (b) of this Section 7.05 shall be paid by Airline in lawful money of the United States of America in immediately available funds, provided that Airline may offset, against amounts payable as Bond Rent under subdivision (a) (ii) of this Section 7.05 for the retirement or the redemption pursuant to mandatory sinking fund redemption of Bonds of a given series and maturity, the principal amount of any Bonds of that series and maturity delivered in lieu of such Bond Rent by Airline to the Trustee. Bonds delivered in lieu of Bond Rent due on or before a redemption date for the redemption of Bonds must be delivered to the Trustee before the Trustee selects the Bonds to be redeemed on that date. All such rental payments and delivery of Bonds in lieu thereof shall be made to the Trustee, at its designated corporate trust office, and the Trustee shall hold and apply the same in accordance with the provisions of the Indenture.

d. Airline shall have the right to prepay all or any part of the Bond Rent in order to cause Bonds to be redeemed or to be deemed paid and discharged in accordance with the terms and provisions of the Indenture. City agrees that it will give notice to the Trustee to redeem Bonds as provided in the Indenture in such principal amounts and at such times as Airline shall request in writing.

e. Airline's obligation to pay Bond Rent and additional rent payments at the times and in the amounts specified in this Section 7.05 shall be absolute and unconditional and shall continue in any event, including without limitation, whether or not (1) Airline shall remain in possession of the Continental Special Facilities or be able to use the same, or (2) the Original Lease, the 1989 Special Facilities Lease or this Supplemental Agreement shall have terminated or been cancelled, or (3) the Continental Special Facilities or any interest therein are taken for any period by condemnation or other means by any governmental authority, or (4) the Continental Special Facilities deteriorate or become obsolete or are damaged or destroyed for any cause whatsoever, or become unusable by Airline, or (5) City fails to perform and observe any agreement, express or implied, or any duty, liability or obligation arising out of or connected with this Agreement. All rental payments payable pursuant to this Section 7.05 shall be made

absolutely net, free from all claims, demands, defenses or offsets against City of any kind or nature whatsoever other than payment. Nothing contained in this subsection shall be construed to release City from the performance of any of the agreements on its part herein contained, and in the event City shall fail to perform any such agreement on its part, Airline may institute such action against City as Airline may deem necessary to compel performance, provided that no such action shall (a) violate the agreements on the part of Airline contained in the first two sentences of this paragraph or (b) diminish the payments and other amounts required to be paid by the Airline pursuant to this Section 7.05. Airline may, however, at its own cost and expense and in its own name prosecute or defend any action or proceeding or take any other action involving third persons which Airline deems reasonably necessary in order to secure or protect its rights hereunder, and in such event City hereby agrees to cooperate fully with Airline and to take all action necessary to effect the substitution of Airline for City in any such action or proceeding if Airline shall so request.

f. In the event the Airline shall fail to make any of the Bond Rent or additional rent payments required in this Section 7.05, each payment so in default shall continue as an obligation of Airline until the amount in default shall have been fully paid, and Airline will pay interest on each overdue Bond Rent payment at the rates specified in the Indenture or, if not so specified, the average rate borne by the Bonds on the date each such payment became due."

Section 5. Remedies. Section 12.02 of the 1989 Special Facilities Lease is hereby amended and supplemented to read in its entirety as follows:

"Whenever an Event of Default shall have occurred and be continuing, City may take any one or more of the following remedial steps:

a. City shall have the right, with or without terminating this Agreement, to re-enter the Continental Special Premises and take possession of the same by summary proceedings, re-entry or otherwise, and remove all persons and/or property from the Continental Special Premises (which property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Airline), without being liable to indictment, prosecution or damages therefor, and without prejudice to any other rights which City may have by reason of such Event of Default.

b. City shall have the right to terminate this Agreement and/or the Hangar Lease and all rights of Airline hereunder or thereunder by giving 60 days' written notice of such termination to Airline and the Trustee.

Upon exercise of any one or more of such remedial steps, City shall exercise Best Efforts to relet the Continental Special Facilities (and, if City terminates the Hangar Lease, the Hangar Site Improvements) and to maximize rentals, charges and fees collected from any such reletting; provided, however, that if the Continental Special Facilities cannot be relet at a rental rate sufficient to fully cover the incremental operation and maintenance costs in excess of minimum operation and maintenance costs upon such reletting of the Continental Special Facilities, City shall not undertake such reletting. Amounts paid to City under leases or other agreements regarding the reletting or use of the Continental Special Facilities and the Hangar Site Improvements will be paid, first, to the Basic Rent Reserve Fund to cover any deficiency therein; second, to the payment of Basic Rent that would have been payable under this Agreement by Airline; third, to the payment of any additional rent required to be paid pursuant to Section 7.05(b) of this Agreement; and fourth, so long as the Bonds are outstanding under the Indenture, to the payment of Bond Rent. If City terminates the Hangar Lease, the rentals, charges and fees collected from such reletting shall also include an amount equal to the rent that would have been payable by Airline to City under the Hangar Lease."

Section 6. Effect of Termination. Section 12.03 of the 1989 Special Facilities Lease is hereby amended and supplemented by adding the parenthetical phrase "(other than Bond Rent)" to the existing third line, after the word "Agreement."

Section 7. Airline's Right to Terminate. Paragraph

b. of Article XIV of the 1989 Special Facilities Lease is hereby amended and supplemented by adding ", Section 7.05" after the reference to Section 3.01 in the first sentence thereof.

Section 8. Notices. Section 17.05 of the 1989 Special Facilities Lease is hereby amended and supplemented by adding the following notice address for the Trustee:

Chase Manhattan Trust Company, National Association
c/o Skylight Office Tower - Suite 920
1660 West Second Street
Cleveland, Ohio 44113

Section 9. Tax Matters with respect to the Series 1999 Bonds. In connection with the issuance and delivery of the Series 1999 Bonds, Airline covenants as follows:

a. Airline has taken and caused to be taken and shall take and cause to be taken all actions that may be required of it alone or in conjunction with City for the interest on the Series 1999 Bonds to be and to remain excluded from gross income of the owners of Series 1999 Bonds for federal income tax purposes (other than a "substantial user" of the Continental Special Facilities or a "related person"), and that it has not taken or permitted to be taken on its behalf, any action that, if taken, would adversely affect such exclusion under the provisions of the Code. Airline's failure to comply with such covenant shall not give rise to or constitute an Event of Default hereunder to the extent that any affected Series 1999 Bonds are redeemed in accordance with the Indenture.

b. At least 95% of the net proceeds of the Series 1999 Bonds (as defined in Section 150 of the Code) will be used to provide an airport within the meaning of Section 142(a)(1) of the Code. As used herein and Section 142(a)(1) of the Code, the term airport means (1) items of property which are directly related and essential to servicing aircraft, enabling aircraft to take off and land, or transferring passengers or cargo to or from aircraft, and (2) property located at or adjacent to an airport that is functionally related and subordinate to such facilities specified in b.(1) above and which is of a character and size commensurate with the character and size of the airport and in either case is a capital expenditure that constitutes land or is of a character subject to the allowance for depreciation under Sections 167 and 168. All of such property will be available to and will serve the general public on a regular basis, including serving private companies operating as common carriers that serve the general public on a regular basis. All of such property is, or upon completion of acquisition or construction will be, situated at or immediately contiguous and adjacent to an airport and must be so located in order to perform their functions. The term airport does not include the costs of any office building or office space within a building or a computer facility, either of which serves a system-wide or regional function of Airline. All of such property financed by the net proceeds of the Series 1999 Bonds is, or upon completion will be, owned by City or another governmental unit within the meaning of Section 142(b)(1) of the Code. Airline will not request or authorize any disbursement that, if paid, would result in less than 95% of the net proceeds of the Series 1999 Bonds being so used. The costs of issuance financed by the Series 1999 Bonds will not exceed 2% of the proceeds of the Series 1999 Bonds (within the meaning of Section 147(g) of the Code), and Airline will not request or authorize any disbursement pursuant to Section 5.04 hereof or otherwise, that, if paid, would result in more than 2% of the proceeds of the Series 1999 Bonds being so used. None of the proceeds of the Series 1999 Bonds will be used to pay for working capital expenditures (within the meaning of Treasury Regulations Paragraph 1.150-1(b)).

c. In accordance with Section 147(b) of the Code, the weighted average maturity of the Series 1999 Bonds does not exceed 120% of the weighted average reasonably expected economic life of the property financed or refinanced by the Series 1999 Bonds.

d. None of the proceeds of the Series 1999 Bonds will be used to provide any airplane, skybox or other private luxury box, or health club facility; any facility primarily used for gambling; any store the principal business of which is the sale of alcoholic beverages for consumption off premises; any hotels or other lodging facilities; any retail facilities (including food and

beverage facilities) in excess of the size necessary to serve passengers (and persons who meet or accompany them) and employees at the Airport; any retail facility including, but not limited to, rental car lots (other than parking for the general public that is no more than a size necessary to serve passengers and employees at the Airport) for passengers or the general public located outside the Airport terminals; office buildings for individuals who are not employees of a governmental unit or of City; industrial parks or manufacturing facilities or; any office space that is not located on the premises of the Airport, or in which more than a de minimis amount of the functions to be performed will not be directly related to the day-to-day operations at the Airport.

e. Except for land acquired by City in connection with an airport for noise abatement or wetland preservation or for future use as an airport and as to which there is not other significant use of such land, less than 25% of the net proceeds of the Series 1999 Bonds will be used directly or indirectly to acquire land or any interest therein, and none of such land is being or will be used for farming purposes; no portion of the net proceeds of the Series 1999 Bonds will be used to acquire existing property or any interest therein unless the first use of such property or interest therein is pursuant to such acquisition or the rehabilitation requirements of Section 147(d)(3) of the Code are satisfied with respect to such property.

f. The Series 1999 Bonds are not "federally guaranteed" within the meaning of Section 149(b) of the Code.

g. At no time will any funds constituting gross proceeds (within the meaning of Section 148 of the Code) of the Series 1999 Bonds be used in a manner as would constitute failure of compliance with Section 148 of the Code. Airline shall restrict the use of Bond proceeds in such manner and to such extent necessary to assure that the Series 1999 Bonds will not constitute arbitrage bonds under Section 148 of the Code.

h. The Series 1999 Bonds are not "pooled financing bonds" or "hedge bonds" within the meaning of Section 149(f) and (g) of the Code, respectively.

i. Airline will comply fully with its representations, warranties and covenants set forth in this Supplemental Agreement.

Section 10. Indemnification - Bond Matters. (a) Airline agrees to indemnify and hold harmless City, its officers and employees and the members of the Council of City from any claims, liabilities, costs and expenses incurred on account of (i) the authorization, issuance, sale, redemption or servicing of the Bonds or the provision by Airline of any information or certification furnished in connection therewith (including, without limitation, any information furnished by Airline for and included in, or used as a basis for preparation of, any certifications, information statements or reports made or furnished by City or Airline to assure the exclusion of the interest on the Bonds from gross income for federal income tax purposes), or (ii) Airline's failure to comply with any requirement of this Agreement or the Code pertaining to the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Nothing set forth in the preceding sentence shall be construed to affect the rights and/or obligations of Airline or City under the Agreement.

(b) Airline agrees to indemnify the Trustee under the Indenture with respect to the Bonds for, and to hold it harmless against, all liabilities, claims, costs and expenses (including reasonable attorney's fees and expenses) incurred without negligence or willful misconduct on the part of the Trustee on account of any action taken or omitted to be taken by the Trustee in accordance with the terms of the Agreement, the Bonds or the Indenture, or any action taken at the request of or with the consent of Airline, including the costs and expenses of the Trustee in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under the Agreement, the Bonds or the Indenture.

Section 11. Continuing Disclosure. Airline has entered into a continuing disclosure agreement with the Trustee with respect to the Series 1999 Bonds with respect to the continuing disclosure required by Rule 15c2-12 promulgated by the

SEC under the Securities and Exchange Act of 1934, as amended, 14 C.F.R. Paragraph 240.15c2-12. Airline shall comply with and carry out all of its continuing disclosure obligations under such agreement. However, any failure by Airline to comply with any requirements under such agreement shall not give rise to or constitute an Event of Default hereunder.

Section 12. Effective Date. This Supplemental Agreement shall become effective upon the issuance and delivery of the Series 1999 Bonds in accordance with the Indenture and the defeasance of the Series 1990 Bonds in accordance with the Series 1990 Indenture. If the Series 1999 Bonds are not so delivered or the Series 1990 Bonds are not so defeased, this Supplemental Agreement shall be null and void and of no force or effect.

Section 13. No Personal Liability. No elected official, director, officer, agent or employee of either party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Supplemental Agreement or because of any breach thereof or because of its or their execution or attempted execution.

Section 14. Approval of Indenture. The Indenture has been submitted to Airline for examination, and Airline acknowledges, by execution of this Supplemental Agreement, that it has approved the Indenture and the execution and delivery thereof.

Section 15. Interpretation of Agreement. This Supplemental Agreement shall be deemed to have been made in, and be construed in accordance with the laws of, the State of Ohio.

Section 16. Entire Agreement; Amendment. The Agreement, as supplemented by this Supplemental Agreement, constitutes the entire agreement between the parties hereto with respect to the Continental Special Facilities and supersedes all other representations or statements heretofore made, oral or written, except as otherwise herein provided. This Supplemental Agreement may be amended only in writing, and executed by duly authorized representatives of the parties hereto in accordance with the terms of the Indenture, provided that the description of the Improvements set forth in the 1989 Special Facilities Lease may be revised from time to time on the written request of Airline approved in writing by the Director of Port Control on behalf of City, provided that no such revision materially alters the Continental Special Facilities as initially contemplated hereunder.

Section 17. Severability. In the event any covenant, condition or provision herein contained is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained, provided the invalidity of any such covenant, condition or provision does not materially prejudice either City, Trustee, Bondholders, or Airline in their respective rights and obligations contained in the valid covenants, conditions and provisions of this Agreement.

Section 18. Recording; Memorandum of Lease. Upon the effective date of this Supplemental Agreement, this Supplemental Agreement shall be recorded with the Recorder of Cuyahoga County or, in the alternative, in the event that either party so requests, the parties hereto shall execute, attest, acknowledge and deliver for recording with the Recorder of Cuyahoga County a short form Memorandum of Lease of this Supplemental Agreement, to be executed pursuant hereto in the form and content prescribed by Section 5301.251 of the Ohio Revised Code.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of the day and year first above written.

ATTEST as to those signing on behalf of the City of Cleveland:

CITY OF CLEVELAND

Printed Name

By: _____
Mayor

Printed Name

By: _____
Director of Finance

By: _____
Acting Director of
Port Control

The within instrument is hereby approved as to form and correctness _____, 1998

Director of Law

By _____
Assistant Director of Law

ATTEST as to those signing on behalf of Continental Airlines, Inc.:

CONTINENTAL AIRLINES, INC.

Printed Name

By: _____
Title: _____

Printed Name

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County,
personally appeared Michael R. White, known to me to be the person
who, as Mayor of the City of Cleveland, executed the above and
foregoing Agreement and acknowledged that, being duly authorized by
Ordinance of the Council of the City of Cleveland, he signed said
Agreement for and on behalf of the said City as its free and
voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial
seal this _____ day of _____, 1998.

Notary Public

My commission expires:

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County, personally appeared Martin Carmody, known to me to be the person who, as Director of Finance of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of the City of Cleveland, he signed said Agreement for and on behalf of the said City as its free and voluntary act, and as his own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

Before me, a Notary Public in and for said County, personally appeared LaVonne Sheffield-McLain, known to me to be the person who, as the Acting Director of Port Control of the City of Cleveland, executed the above and foregoing Agreement and acknowledged that, being duly authorized by Ordinance of the Council of the City of Cleveland, she signed said Agreement for and on behalf of the said City as its free and voluntary act, and as her own free and voluntary act.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is made by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Gordon M. Bethune ("Executive").

Recitals:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 20, 1998, as amended by Amendment to Employment Agreement dated as of May 19, 1999 (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its September 16, 1999 meeting, authorized the amendment of the employment agreements of certain officers of the Company, including Executive, as set forth herein; and

WHEREAS, Company and Executive desire to amend the Existing Agreement as hereinafter set forth;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Paragraph 3.5 of the Existing Agreement ("Supplemental Executive Retirement Plan") is hereby amended to read in its entirety as follows:

"3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 30 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional four 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) three additional years of service if Executive is paid the Termination Payment under this Agreement. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$850,000.00 or (B) the average of the five highest annual cash compensation amounts (or, if Executive has been employed less than five years by Company, the average over the full years employed by Company) paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment at retirement or otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company), but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, and (iii) 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 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. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP shall be determined under the provisions of each plan as if payable in the form of

an annual straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

(iii) Normal and Early Retirement Benefits.

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

(iv) Form of Retirement Benefit. If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive. If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid in the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive 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, began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Payment of such survivor annuity shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date

of Executive's death, then Executive's surviving spouse shall be entitled to elect to commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit, and each payment of such survivor annuity shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii).

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

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP. 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.

(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."

2. The Existing Agreement, as amended by this Amendment, is hereby ratified and confirmed and shall continue in full force and effect in accordance with its terms.

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

EXECUTIVE

Gordon M. Bethune

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment") is made by and between Continental Airlines, Inc., a Delaware corporation ("Company"), and Gregory D. Brenneman ("Executive").

Recitals:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 20, 1998, as amended by Amendment to Employment Agreement dated as of May 19, 1999 (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its September 16, 1999 meeting, authorized the amendment of the employment agreements of certain officers of the Company, including Executive, as set forth herein; and

WHEREAS, Company and Executive desire to amend the Existing Agreement as hereinafter set forth;

NOW THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Paragraph 3.5 of the Existing Agreement ("Supplemental Executive Retirement Plan") is hereby amended to read in its entirety as follows:

"3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 30 years) times (c) the Executive's final average compensation (as defined below). For purposes hereof, Executive's credited years of service under the Plan shall be equal to the sum of (1) the number of Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional three 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) three additional years of service if Executive is paid the Termination Payment under this Agreement. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$650,000.00 or (B) the average of the five highest annual cash compensation amounts (or, if Executive has been employed less than five years by Company, the average over the full years employed by Company) paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment at retirement or otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company), but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, and (iii) 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 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. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP shall be determined under the provisions of each plan as if payable in the form of an annual straight life annuity beginning on the Retirement

Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

(iii) Normal and Early Retirement Benefits.

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

(iv) Form of Retirement Benefit. If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive. If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid in the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive 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, began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Payment of such survivor annuity shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall

be entitled to elect to commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit, and each payment of such survivor annuity shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii).

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

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP. 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.

(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."

2. The Existing Agreement, as amended by this Amendment, is hereby ratified and confirmed and shall continue in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the 16th day of September, 1999.

By: _____

Name:

Title:

EXECUTIVE

Gregory D. Brenneman

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company"), and Lawrence W. Kellner ("Executive").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 15, 1995, as amended by Amendment to Employment Agreement dated as of April 19, 1996, Amendment to Employment Agreement dated as of September 30, 1996, Amendment to Employment Agreement dated as of November 20, 1998, and Amendment to Employment Agreement dated as of May 19, 1999 (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its September 16, 1999 meeting, authorized the amendment of the employment agreements of certain officers of the Company, including Executive, with respect to certain matters, including the amendment and restatement of Executive's Existing Agreement; and

WHEREAS, in connection therewith, the parties desire to amend the Existing Agreement and restate it, as so amended, in its entirety as 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 (as hereinafter defined) and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement. For purposes of this Agreement, the "Effective Date" shall be September 16, 1999.

1.2 Position. Company shall employ Executive in the position of Executive Vice President and Chief Financial Officer, or in such other position or positions as the parties mutually may agree.

1.3 Duties and Services. Executive agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office 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 office which the parties mutually may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive through the date which is two years and a day after the date of closing of the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock held by Air Partners, L.P. (the "Acquisition") contemplated by the Investment Agreement dated as of January 25, 1998, as amended, among Air Partners, L.P., its partners and certain affiliates and Northwest Airlines Corporation and its affiliate (the "Investment Agreement").

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

(i) upon Executive's death;

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

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

(iv) for Executive's material breach of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice to Executive by Company of such breach; or

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

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

(i) the assignment to Executive by the Board of Directors or HR Committee or other officers or representatives of Company of duties materially inconsistent with the duties associated with the position described in paragraph 1.2 as such duties are constituted as of the Effective Date;

(ii) a material diminution in the nature or scope of Executive's authority, responsibilities, or title from those applicable to him as of the Effective Date;

(iii) the occurrence of material acts or conduct on the part of Company or its officers or representatives which prevent Executive from performing his duties and responsibilities pursuant to this Agreement;

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

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

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

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

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

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$470,000.00 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after the Effective

Date at a level which is not less than the maximum participation level made available to any other executive of Company at substantially the same title or level of Executive (determined without regard to period of service or other criteria that might otherwise be necessary to entitle Executive to such level of participation).

3.3 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.

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

(i) 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.

(ii) Parking - Company shall provide at no expense to Executive a parking place convenient to Executive's office and a parking place at Intercontinental Airport in Houston, Texas.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 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 Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional two years of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2000 and ending on December 31, 2004, and (3) three additional years of service if Executive is paid the Termination Payment under this Agreement. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$470,000.00 or (B) the average of the five highest annual cash compensation amounts (or, if Executive has been employed less than five years by Company, the average over the full years employed by Company) paid to Executive by Company during the consecutive ten calendar years immediately preceding

Executive's termination of employment at retirement or otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company), but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, and (iii) 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 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. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP shall be determined under the provisions of each plan as if payable in the form of an annual straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

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

(iv) Form of Retirement Benefit. If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive. If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid in the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's

death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive 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, began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Payment of such survivor annuity shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit, and each payment of such survivor annuity shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii).

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

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP. 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.

(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.

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; provided, however, that Executive shall be provided with Flight Benefits for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, the benefits described in clauses (2) through (4) of paragraph 4.7(vi) shall be provided for the time periods specified therein and Company shall cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Stock Incentive Plan (the "1998 Plan"), and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination.

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 the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall (a) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment (as such term is defined in paragraph 4.7) and cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Plan, and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (b) provide Executive with Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, (c) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (d) provide Executive and his eligible dependents with Continuation Coverage (as such term is defined in paragraph 4.7) for the Severance Period.

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 employment, except Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a), (c) and (d) of paragraph 4.2.

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"),

Company shall pay to Executive an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under the Incentive Plan (as such term is defined in paragraph 4.7)) equal to the Excise Tax imposed upon the Payments. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

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

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

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

(i) "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) a deemed annual bonus which shall be equal to the Bonus Percentage of the amount described in clause (1) of this paragraph 4.7(i). The "Bonus Percentage" shall be a percentage equal to the annual percentage of base salary (i.e., 0% to 125%) paid or payable to a participant under the Company's Executive Bonus Program (and its predecessor or any successor plan or program) with respect to the most recent fiscal year ended prior to Executive's termination of employment;

(ii) "Change in Control" shall have the meaning assigned to such term in the 1998 Plan (as adopted by the Board of Directors on April 14, 1998 and in effect on such

date, it being understood that such term shall be the new Change in Control term contained in the 1998 Plan, and not the alternate Change in Control term (identical to that contained in the 1997 Stock Incentive Plan) also set forth in the 1998 Plan for the eventuality that the Acquisition does not close); provided, however, that Company and Executive agree that the Acquisition, upon the closing thereof, constituted a Change in Control (as defined in the Existing Agreement prior to the amendment to the Existing Agreement dated as of November 20, 1998) and will be considered to be, and to have the effect of, a Change in Control under this Agreement;

(iii) "Continuation Coverage" shall mean the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, disability, vision care, accidental death and dismemberment, and prescription drug, at no greater cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment; provided, however, that (1) subject to clause (2) below, the coverage under a particular welfare benefit plan (or the receipt of equivalent benefits) shall terminate upon Executive's receipt of comparable benefits from a subsequent employer and (2) if Executive (and/or his eligible dependents) would have been entitled to retiree coverage under a particular welfare benefit plan had he voluntarily retired on the date of his termination of employment, then such coverage shall be continued as provided in such plan upon the expiration of the period Continuation Coverage is to be provided pursuant to this Article 4. Notwithstanding any provision in this Article 4 to the contrary, Executive's entitlement to any benefit continuation pursuant to Section 601 et. seq. of the Employee Retirement Income Security Act of 1974, as amended, shall commence at the end of the period of, and shall not be reduced by the provision of, any applicable Continuation Coverage;

(iv) "Flight Benefits" shall mean flight benefits on each airline operated by the Company or any of its affiliates or any successor or successors thereto (the "CO system"), consisting of the highest priority space available flight passes for Executive and Executive's eligible family members (as such eligibility is in effect on May 18, 1999), a Universal Air Travel Plan (UATP) card (or, in the event of discontinuance of the UATP program, a similar charge card permitting the purchase of air travel through direct billing to the Company or any successor or successors thereto (a "Similar Card")) in Executive's name for charging on an annual basis up to the applicable Annual Travel Limit (as hereinafter defined) with respect to such year in value (valued identically to the calculation of imputed income resulting from such flight benefits described below) of flights (in any fare class) on the CO system for Executive, Executive's spouse, Executive's family and significant others as determined by Executive, a Platinum Elite OnePass Card (or similar highest category successor frequent flyer card) in Executive's name for use on the CO system, a membership for Executive and Executive's spouse in the Company's President's Club (or any successor program maintained in the CO system) and payment by the Company to Executive of an annual amount (not to exceed in any year the applicable Annual Gross Up Limit (as hereinafter defined) with respect to such year) sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from such flights (such imputed income to be calculated during the term of such Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

(v) "Incentive Plan" shall mean Company's 1994 Incentive Equity Plan, as amended;

(vi) "Outplacement Services" shall mean (1) outplacement services, at Company's cost and for a period of twelve months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors or HR Committee (with such approval not to be unreasonably withheld), (2) appropriate and suitable office space at the Company's headquarters (although not on its executive office floor) or at a comparable location in downtown Houston for use by Executive, together with appropriate and suitable secretarial assistance, at Company's cost and for a period of three years beginning on the date of Executive's termination of employment, (3) a reserved parking place convenient to the office so provided and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, at Company's cost and for as long as Executive retains a residence in Houston, Texas, and (4) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for 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 the Company for use by Executive;

(vii) "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 thirty-six 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 twenty-four months; and

(viii) "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 twelve.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Travel Limit" shall mean an amount (initially \$50,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Company's average fare per revenue passenger for its jet operations (excluding regional jets) with respect to the applicable year as reported in its Annual Report on Form 10-K (or, if not so reported, as determined by the Company's independent auditors) (the "Average Fare") for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$50,000 annually (adjusted in accordance with clauses (i) and (ii) above) of flights relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Travel Limit would be increased by 15% to \$57,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Travel Limit described in this paragraph.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Gross Up Limit" shall mean an amount

(initially \$10,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Average Fare for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$10,000 annually (adjusted in accordance with clauses (i) and (ii) above) of tax gross up relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Gross Up Limit would be increased by 15% to \$11,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Gross Up Limit described in this paragraph.

As used for purposes of Flight Benefits, a year may consist of twelve consecutive months other than a calendar year, it being the Company's practice as of May 18, 1999 for purposes of Flight Benefits for a year to commence on December 1 and end on the following November 30 (for example, the twelve-month period from December 1, 1998 to November 30, 1999 is considered the year 1999 for purposes of Flight Benefits); provided that all calculations for purposes of clause (i) in the prior two paragraphs shall be with respect to fiscal years of the Company.

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

No tickets issued on the CO system in connection with the Flight Benefits may be purchased other than directly from the Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued. Executive agrees that, after receipt of an invoice or other accounting statement therefor, he will promptly (and in any event within 45 days after receipt of such invoice or other accounting statement) reimburse the Company for all charges on his UATP card (or Similar Card) which are not for flights on the CO system and which are not otherwise reimbursable to Executive under the provisions of paragraph 3.4(i) hereof, or which are for tickets in excess of the applicable Annual Travel Limit. Executive agrees that the credit availability under Executive's UATP card (or Similar Card) may be suspended if Executive does not timely reimburse the Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit with respect to a year; provided, that, immediately upon the Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit, beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card (or Similar Card) will be restored.

The sole cost to Executive of flights on the CO system pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO system charged on Executive's UATP card (or Similar Card), calculated throughout the term of Executive's Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period for which

the Company is obligated to provide the tax gross up described above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be paid to Executive.

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

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

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

If to Company to : Continental Airlines, Inc.
1600 Smith, Dept. HQSEO
Houston, Texas 77002
Attention: General Counsel

If to Executive to : Lawrence W. Kellner
10915 Pifer Way
Houston, Texas 77024

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

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

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

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

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

Agreement.

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

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

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

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

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 3.4(iii), (ii) any signed written agreement heretofore executed by Company and Executive with respect to awards under the Company's stock option or other incentive plans, or (iii) any signed written agreement hereafter executed by Company and Executive, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Without limiting the scope of the preceding sentence, all prior understandings and agreements among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect (it being the specific intent of the parties hereto that this Agreement shall amend and restate in its entirety the Existing Agreement). 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 16th day of September, 1999.

CONTINENTAL AIRLINES, INC.

By: _____
Name:
Title:

"EXECUTIVE"

Lawrence W. Kellner

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company"), and C.D. McLean ("Executive").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 15, 1995, as amended by Amendment to Employment Agreement dated as of April 19, 1996, Amendment to Employment Agreement dated as of September 30, 1996, Amendment to Employment Agreement dated as of November 20, 1998, and Amendment to Employment Agreement dated as of May 19, 1999 (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its September 16, 1999 meeting, authorized the amendment of the employment agreements of certain officers of the Company, including Executive, with respect to certain matters, including the amendment and restatement of Executive's Existing Agreement; and

WHEREAS, in connection therewith, the parties desire to amend the Existing Agreement and restate it, as so amended, in its entirety as 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 (as hereinafter defined) and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement. For purposes of this Agreement, the "Effective Date" shall be September 16, 1999.

1.2 Position. Company shall employ Executive in the position of Executive Vice President - Operations, or in such other position or positions as the parties mutually may agree.

1.3 Duties and Services. Executive agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office 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 office which the parties mutually may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive through the date which is two years and a day after the date of closing of the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock held by Air Partners, L.P. (the "Acquisition") contemplated by the Investment Agreement dated as of January 25, 1998, as amended, among Air Partners, L.P., its partners and certain affiliates and Northwest Airlines Corporation and its affiliate (the "Investment Agreement").

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

- (i) upon Executive's death;

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

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

(iv) for Executive's material breach of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice to Executive by Company of such breach; or

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

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

(i) the assignment to Executive by the Board of Directors or HR Committee or other officers or representatives of Company of duties materially inconsistent with the duties associated with the position described in paragraph 1.2 as such duties are constituted as of the Effective Date;

(ii) a material diminution in the nature or scope of Executive's authority, responsibilities, or title from those applicable to him as of the Effective Date;

(iii) the occurrence of material acts or conduct on the part of Company or its officers or representatives which prevent Executive from performing his duties and responsibilities pursuant to this Agreement;

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

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

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

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

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

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$430,000.00 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after the Effective Date at a level which is not less than the maximum participation level made available to any other executive of Company at substantially the same title or level of Executive (determined

without regard to period of service or other criteria that might otherwise be necessary to entitle Executive to such level of participation).

3.3 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.

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

(i) 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.

(ii) Parking - Company shall provide at no expense to Executive a parking place convenient to Executive's office and a parking place at Intercontinental Airport in Houston, Texas.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 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 Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional two years of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2000 and ending on December 31, 2004, and (3) three additional years of service if Executive is paid the Termination Payment under this Agreement. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$430,000.00 or (B) the average of the five highest annual cash compensation amounts (or, if Executive has been employed less than five years by Company, the average over the full years employed by Company) paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment at retirement or otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company),

but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, and (iii) 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 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. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP shall be determined under the provisions of each plan as if payable in the form of an annual straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

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

(iv) Form of Retirement Benefit. If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive. If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid in the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive 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, began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Payment of such survivor annuity shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit, and each payment of such survivor annuity shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii).

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

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP. 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.

(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.

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; provided, however, that Executive shall be provided with Flight Benefits for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, the benefits described in clauses (2) through (4) of paragraph 4.7(vi) shall be provided for the time periods specified therein and Company shall cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Stock Incentive Plan (the "1998 Plan"), and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination.

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 the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall (a) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment (as such term is defined in paragraph 4.7) and cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Plan, and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (b) provide Executive with Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, (c) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (d) provide Executive and his eligible dependents with Continuation Coverage (as such term is defined in paragraph 4.7) for the Severance Period.

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 employment, except Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a), (c) and (d) of paragraph 4.2.

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive an additional payment (a "Gross-up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up

Payment (taking into account any similar gross-up payments to Executive under the Incentive Plan (as such term is defined in paragraph 4.7)) equal to the Excise Tax imposed upon the Payments. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

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

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

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

(i) "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) a deemed annual bonus which shall be equal to the Bonus Percentage of the amount described in clause (1) of this paragraph 4.7(i). The "Bonus Percentage" shall be a percentage equal to the annual percentage of base salary (i.e., 0% to 125%) paid or payable to a participant under the Company's Executive Bonus Program (and its predecessor or any successor plan or program) with respect to the most recent fiscal year ended prior to Executive's termination of employment;

(ii) "Change in Control" shall have the meaning assigned to such term in the 1998 Plan (as adopted by the Board of Directors on April 14, 1998 and in effect on such date, it being understood that such term shall be the new Change in Control term contained in the 1998 Plan, and not the alternate Change in Control term (identical to that contained in the 1997 Stock Incentive Plan) also set forth in the 1998

Plan for the eventuality that the Acquisition does not close); provided, however, that Company and Executive agree that the Acquisition, upon the closing thereof, constituted a Change in Control (as defined in the Existing Agreement prior to the amendment to the Existing Agreement dated as of November 20, 1998) and will be considered to be, and to have the effect of, a Change in Control under this Agreement;

(iii) "Continuation Coverage" shall mean the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, disability, vision care, accidental death and dismemberment, and prescription drug, at no greater cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment; provided, however, that (1) subject to clause (2) below, the coverage under a particular welfare benefit plan (or the receipt of equivalent benefits) shall terminate upon Executive's receipt of comparable benefits from a subsequent employer and (2) if Executive (and/or his eligible dependents) would have been entitled to retiree coverage under a particular welfare benefit plan had he voluntarily retired on the date of his termination of employment, then such coverage shall be continued as provided in such plan upon the expiration of the period Continuation Coverage is to be provided pursuant to this Article 4. Notwithstanding any provision in this Article 4 to the contrary, Executive's entitlement to any benefit continuation pursuant to Section 601 et. seq. of the Employee Retirement Income Security Act of 1974, as amended, shall commence at the end of the period of, and shall not be reduced by the provision of, any applicable Continuation Coverage;

(iv) "Flight Benefits" shall mean flight benefits on each airline operated by the Company or any of its affiliates or any successor or successors thereto (the "CO system"), consisting of the highest priority space available flight passes for Executive and Executive's eligible family members (as such eligibility is in effect on May 18, 1999), a Universal Air Travel Plan (UATP) card (or, in the event of discontinuance of the UATP program, a similar charge card permitting the purchase of air travel through direct billing to the Company or any successor or successors thereto (a "Similar Card")) in Executive's name for charging on an annual basis up to the applicable Annual Travel Limit (as hereinafter defined) with respect to such year in value (valued identically to the calculation of imputed income resulting from such flight benefits described below) of flights (in any fare class) on the CO system for Executive, Executive's spouse, Executive's family and significant others as determined by Executive, a Platinum Elite OnePass Card (or similar highest category successor frequent flyer card) in Executive's name for use on the CO system, a membership for Executive and Executive's spouse in the Company's President's Club (or any successor program maintained in the CO system) and payment by the Company to Executive of an annual amount (not to exceed in any year the applicable Annual Gross Up Limit (as hereinafter defined) with respect to such year) sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from such flights (such imputed income to be calculated during the term of such Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

(v) "Incentive Plan" shall mean Company's 1994 Incentive Equity Plan, as amended;

(vi) "Outplacement Services" shall mean (1) outplacement services, at Company's cost and for a period of twelve months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by

Executive and approved by the Board of Directors or HR Committee (with such approval not to be unreasonably withheld), (2) appropriate and suitable office space at the Company's headquarters (although not on its executive office floor) or at a comparable location in downtown Houston for use by Executive, together with appropriate and suitable secretarial assistance, at Company's cost and for a period of three years beginning on the date of Executive's termination of employment, (3) a reserved parking place convenient to the office so provided and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, at Company's cost and for as long as Executive retains a residence in Houston, Texas, and (4) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for 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 the Company for use by Executive;

(vii) "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 thirty-six 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 twenty-four months; and

(viii) "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 twelve.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Travel Limit" shall mean an amount (initially \$50,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Company's average fare per revenue passenger for its jet operations (excluding regional jets) with respect to the applicable year as reported in its Annual Report on Form 10-K (or, if not so reported, as determined by the Company's independent auditors) (the "Average Fare") for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$50,000 annually (adjusted in accordance with clauses (i) and (ii) above) of flights relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Travel Limit would be increased by 15% to \$57,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Travel Limit described in this paragraph.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Gross Up Limit" shall mean an amount (initially \$10,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Average Fare for such year, and the denominator of which shall be the Average Fare for

the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$10,000 annually (adjusted in accordance with clauses (i) and (ii) above) of tax gross up relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Gross Up Limit would be increased by 15% to \$11,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Gross Up Limit described in this paragraph.

As used for purposes of Flight Benefits, a year may consist of twelve consecutive months other than a calendar year, it being the Company's practice as of May 18, 1999 for purposes of Flight Benefits for a year to commence on December 1 and end on the following November 30 (for example, the twelve-month period from December 1, 1998 to November 30, 1999 is considered the year 1999 for purposes of Flight Benefits); provided that all calculations for purposes of clause (i) in the prior two paragraphs shall be with respect to fiscal years of the Company.

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

No tickets issued on the CO system in connection with the Flight Benefits may be purchased other than directly from the Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued. Executive agrees that, after receipt of an invoice or other accounting statement therefor, he will promptly (and in any event within 45 days after receipt of such invoice or other accounting statement) reimburse the Company for all charges on his UATP card (or Similar Card) which are not for flights on the CO system and which are not otherwise reimbursable to Executive under the provisions of paragraph 3.4(i) hereof, or which are for tickets in excess of the applicable Annual Travel Limit. Executive agrees that the credit availability under Executive's UATP card (or Similar Card) may be suspended if Executive does not timely reimburse the Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit with respect to a year; provided, that, immediately upon the Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit, beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card (or Similar Card) will be restored.

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

to be paid to Executive.

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

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

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

If to Company to: Continental Airlines, Inc.
1600 Smith, Dept. HQSEO
Houston, Texas 77002
Attention: General Counsel

If to Executive to : C.D. McLean
1111 Caroline, Apt. 2602
Houston, TX 77010

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

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

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

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

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

5.7 Withholding of Taxes and Other Employee Deductions. Company may withhold from any benefits and payments made pursuant

to this Agreement all federal, state, city and other taxes as may be required pursuant to any law or governmental regulation or ruling and all other normal employee deductions made with respect to Company's employees generally.

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

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

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

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 3.4(iii), (ii) any signed written agreement heretofore executed by Company and Executive with respect to awards under the Company's stock option or other incentive plans, or (iii) any signed written agreement hereafter executed by Company and Executive, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Without limiting the scope of the preceding sentence, all prior understandings and agreements among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect (it being the specific intent of the parties hereto that this Agreement shall amend and restate in its entirety the Existing Agreement). 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 16th day of September, 1999.

CONTINENTAL AIRLINES, INC.

By: _____

Name:

Title:

"EXECUTIVE"

C.D. McLean

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made by and between CONTINENTAL AIRLINES, INC., a Delaware corporation ("Company"), and Jeffery A. Smisek ("Executive").

W I T N E S S E T H:

WHEREAS, Company and Executive are parties to that certain Amended and Restated Employment Agreement dated as of November 15, 1995, as amended by Amendment to Employment Agreement dated as of April 19, 1996, Amendment to Employment Agreement dated as of September 30, 1996, Amendment to Employment Agreement dated as of November 20, 1998, and Amendment to Employment Agreement dated as of May 19, 1999 (as so amended, the "Existing Agreement"); and

WHEREAS, the Human Resources Committee of the Board of Directors, at its September 16, 1999 meeting, authorized the amendment of the employment agreements of certain officers of the Company, including Executive, with respect to certain matters, including the amendment and restatement of Executive's Existing Agreement; and

WHEREAS, in connection therewith, the parties desire to amend the Existing Agreement and restate it, as so amended, in its entirety as 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 (as hereinafter defined) and continuing for the period of time set forth in Article 2 of this Agreement, subject to the terms and conditions of this Agreement. For purposes of this Agreement, the "Effective Date" shall be September 16, 1999.

1.2 Position. Company shall employ Executive in the position of Executive Vice President, General Counsel and Secretary, or in such other position or positions as the parties mutually may agree.

1.3 Duties and Services. Executive agrees to serve in the position referred to in paragraph 1.2 and to perform diligently and to the best of his abilities the duties and services appertaining to such office 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 office which the parties mutually may agree upon from time to time.

ARTICLE 2: TERM AND TERMINATION OF EMPLOYMENT

2.1 Term. Unless sooner terminated pursuant to other provisions hereof, Company agrees to employ Executive through the date which is two years and a day after the date of closing of the acquisition by an affiliate of Northwest Airlines Corporation of beneficial ownership of the Class A common stock held by Air Partners, L.P. (the "Acquisition") contemplated by the Investment Agreement dated as of January 25, 1998, as amended, among Air Partners, L.P., its partners and certain affiliates and Northwest Airlines Corporation and its affiliate (the "Investment Agreement").

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

- (i) upon Executive's death;

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

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

(iv) for Executive's material breach of any provision of this Agreement which, if correctable, remains uncorrected for 30 days following written notice to Executive by Company of such breach; or

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

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

(i) the assignment to Executive by the Board of Directors or HR Committee or other officers or representatives of Company of duties materially inconsistent with the duties associated with the position described in paragraph 1.2 as such duties are constituted as of the Effective Date;

(ii) a material diminution in the nature or scope of Executive's authority, responsibilities, or title from those applicable to him as of the Effective Date;

(iii) the occurrence of material acts or conduct on the part of Company or its officers or representatives which prevent Executive from performing his duties and responsibilities pursuant to this Agreement;

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

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

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

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

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

ARTICLE 3: COMPENSATION AND BENEFITS

3.1 Base Salary. During the period of this Agreement, Executive shall receive a minimum annual base salary equal to the greater of (i) \$400,000.00 or (ii) such amount as the parties mutually may agree upon from time to time. Executive's annual base salary shall be paid in equal installments in accordance with Company's standard policy regarding payment of compensation to executives but no less frequently than semimonthly.

3.2 Bonus Programs. Executive shall participate in each cash bonus program maintained by Company on and after the Effective Date at a level which is not less than the maximum participation

level made available to any other executive of Company at substantially the same title or level of Executive (determined without regard to period of service or other criteria that might otherwise be necessary to entitle Executive to such level of participation).

3.3 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.

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

(i) 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.

(ii) Parking - Company shall provide at no expense to Executive a parking place convenient to Executive's office and a parking place at Intercontinental Airport in Houston, Texas.

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

3.5 Supplemental Executive Retirement Plan.

(i) Base Benefit. Company agrees to pay Executive the deferred compensation benefits set forth in this paragraph 3.5 as a supplemental retirement plan (the "Plan"). The base retirement benefit under the Plan (the "Base Benefit") shall be in the form of an annual straight life annuity in an amount equal to the product of (a) 2.5% times (b) the number of Executive's credited years of service (as defined below) under the Plan (but not in excess of 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 Executive's years of benefit service with Company, calculated as set forth in the Continental Retirement Plan (the "CARP") beginning at January 1, 1995 ("Actual Years of Service"), (2) an additional two years of service for each one year of service credited to Executive pursuant to clause (1) of this sentence for the period beginning on January 1, 2000 and ending on December 31, 2004, and (3) three additional years of service if Executive is paid the Termination Payment under this Agreement. For purposes hereof, Executive's final average compensation shall be equal to the greater of (A) \$400,000.00 or (B) the average of the five highest annual cash compensation amounts (or, if Executive has been employed less than five years by Company, the average over the full years employed by Company) paid to Executive by Company during the consecutive ten calendar years immediately preceding Executive's termination of employment at retirement or

otherwise. For purposes hereof, cash compensation shall include base salary plus cash bonuses (including any amounts deferred (other than Stay Bonus amounts described below) pursuant to any deferred compensation plan of the Company), but shall exclude (i) any cash bonus paid on or prior to March 31, 1995, (ii) any Stay Bonus paid to Executive pursuant to that certain Stay Bonus Agreement between Company and Executive dated as of April 14, 1998, and (iii) 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 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. In making such reduction, the Base Benefit and the benefit paid or payable under the CARP shall be determined under the provisions of each plan as if payable in the form of an annual straight life annuity beginning on the Retirement Date (as defined below). The net benefit payable under this Plan shall then be actuarially adjusted based on the actuarial assumptions set forth in paragraph 3.5(vii) for the actual time and form of payments.

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

(iv) Form of Retirement Benefit. If Executive is not married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid to Executive in the form of a single life annuity for the life of Executive. If Executive is married on the date Executive's benefit under paragraph 3.5(iii) commences, then benefits under the Plan will be paid in the form of a joint and survivor annuity that is actuarially equivalent to the benefit that would have been payable under the Plan to Executive if Executive was not married on such date, with Executive's spouse as of the date benefit payments commence being entitled during such spouse's lifetime after Executive's death to a benefit equal to 50% of the benefit payable to Executive during their joint lifetimes.

(v) Death Benefit. Except as provided in this paragraph 3.5(v), no benefits shall be paid under the Plan if Executive dies prior to the date Executive's benefit commences pursuant to paragraph 3.5(iii). In the event of Executive's death prior to the commencement of Executive's benefit

pursuant to paragraph 3.5(iii), Executive's surviving spouse, if Executive is married on the date of Executive's death, will receive 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, began to receive Executive's Plan benefit beginning immediately at the Retirement Date, and died on the day after the Retirement Date; or (b) if Executive dies after reaching the Retirement Date, the death benefit such spouse would have received had Executive begun to receive Executive's Plan benefit beginning on the day prior to Executive's death. Payment of such survivor annuity shall begin on the first day of the month following the later of (1) Executive's date of death or (2) the Retirement Date; provided, however, that if Executive was eligible to elect an Early Retirement Benefit as of the date of Executive's death, then Executive's surviving spouse shall be entitled to elect to commence to receive such survivor annuity as of the first day of the month next following the date of Executive's death, or as the first day of any subsequent month preceding the Retirement Date. Notice of such election must be received by Company not less than 15 days prior to the proposed date of commencement of the benefit, and each payment of such survivor annuity shall be reduced based on the principles used for the reductions described in clauses (2) and (3) of the proviso to the third sentence of paragraph 3.5(iii).

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

(vii) Actuarial Equivalent. For purposes of the Plan, the terms "actuarial equivalent", or "actuarially equivalent" when used with respect to a specified benefit shall mean the amount of benefit of the referenced different type or payable at the referenced different age that can be provided at the same cost as such specified benefit, as computed by the Actuary and certified to Executive (or, in the case of Executive's death, to his spouse) by the Actuary. The actuarial assumptions used under the Plan to determine equivalencies between different forms and times of payment shall be the same as the actuarial assumptions then used in determining benefits payable under the CARP. 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.

(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.

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; provided, however, that Executive shall be provided with Flight Benefits for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, the benefits described in clauses (2) through (4) of paragraph 4.7(vi) shall be provided for the time periods specified therein and Company shall cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Stock Incentive Plan (the "1998 Plan"), and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination.

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 the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be for any reason other than those encompassed by paragraphs 2.2(i), (ii), (iii) or (iv), then Company shall (a) pay Executive on or before the effective date of such termination a lump-sum, cash payment in an amount equal to the Termination Payment (as such term is defined in paragraph 4.7) and cause all options and shares of restricted stock awarded to Executive, including, without limitation, any such awards under Company's 1998 Plan, and other Awards (as defined in the 1998 Plan) made to Executive under the 1998 Plan, to vest immediately upon such termination and, with respect to options, be exercisable in full for 30 days after such termination, (b) provide Executive with Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, (c) provide Executive with Outplacement Services (as such term is defined in paragraph 4.7), and (d) provide Executive and his eligible dependents with Continuation Coverage (as such term is defined in paragraph 4.7) for the Severance Period.

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 employment, except Executive shall be provided Flight Benefits (as such term is defined in paragraph 4.7) for the remainder of Executive's lifetime, the benefits described in paragraph 3.5 shall continue to be payable, and if such termination shall be pursuant to paragraphs 2.3(i), (ii), (iii), (iv), (v), or (vi), then Company shall provide Executive with the payments and benefits described in clauses (a), (c) and (d) of paragraph 4.2.

4.4 Certain Additional Payments by Company. Notwithstanding anything to the contrary in this Agreement, if any payment, distribution or provision of a benefit by Company to or for the benefit of Executive, whether paid or payable, distributed or distributable or provided or to be provided pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to an excise or other special additional tax that would not have been imposed absent such Payment (including, without limitation, any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended), or any interest or penalties with respect to such excise or other additional tax (such excise or other additional tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), Company shall pay to Executive an additional payment (a "Gross-up

Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any income taxes and Excise Taxes imposed on any Gross-up Payment, Executive retains an amount of the Gross-up Payment (taking into account any similar gross-up payments to Executive under the Incentive Plan (as such term is defined in paragraph 4.7)) equal to the Excise Tax imposed upon the Payments. Company and Executive shall make an initial determination as to whether a Gross-up Payment is required and the amount of any such Gross-up Payment. Executive shall notify Company in writing of any claim by the Internal Revenue Service which, if successful, would require Company to make a Gross-up Payment (or a Gross-up Payment in excess of that, if any, initially determined by Company and Executive) within ten business days after the receipt of such claim. Company shall notify Executive in writing at least ten business days prior to the due date of any response required with respect to such claim if it plans to contest the claim. If Company decides to contest such claim, Executive shall cooperate fully with Company in such action; provided, however, Company shall bear and pay directly or indirectly all costs and expenses (including additional interest and penalties) incurred in connection with such action and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of Company's action. If, as a result of Company's action with respect to a claim, Executive receives a refund of any amount paid by Company with respect to such claim, Executive shall promptly pay such refund to Company. If Company fails to timely notify Executive whether it will contest such claim or Company determines not to contest such claim, then Company shall immediately pay to Executive the portion of such claim, if any, which it has not previously paid to Executive.

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

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

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

(i) "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) a deemed annual bonus which shall be equal to the Bonus Percentage of the amount described in clause (1) of this paragraph 4.7(i). The "Bonus Percentage" shall be a percentage equal to the annual percentage of base salary (i.e., 0% to 125%) paid or payable to a participant under the Company's Executive Bonus Program (and its predecessor or any successor plan or program) with respect to the most recent fiscal year ended prior to Executive's termination of employment;

(ii) "Change in Control" shall have the meaning assigned to such term in the 1998 Plan (as adopted by the Board of Directors on April 14, 1998 and in effect on such date, it being understood that such term shall be the new

Change in Control term contained in the 1998 Plan, and not the alternate Change in Control term (identical to that contained in the 1997 Stock Incentive Plan) also set forth in the 1998 Plan for the eventuality that the Acquisition does not close); provided, however, that Company and Executive agree that the Acquisition, upon the closing thereof, constituted a Change in Control (as defined in the Existing Agreement prior to the amendment to the Existing Agreement dated as of November 20, 1998) and will be considered to be, and to have the effect of, a Change in Control under this Agreement;

(iii) "Continuation Coverage" shall mean the continued coverage of Executive and his eligible dependents under Company's welfare benefit plans available to executives of Company who have not terminated employment (or the provision of equivalent benefits), including, without limitation, medical, health, dental, life insurance, disability, vision care, accidental death and dismemberment, and prescription drug, at no greater cost to Executive than that applicable to a similarly situated Company executive who has not terminated employment; provided, however, that (1) subject to clause (2) below, the coverage under a particular welfare benefit plan (or the receipt of equivalent benefits) shall terminate upon Executive's receipt of comparable benefits from a subsequent employer and (2) if Executive (and/or his eligible dependents) would have been entitled to retiree coverage under a particular welfare benefit plan had he voluntarily retired on the date of his termination of employment, then such coverage shall be continued as provided in such plan upon the expiration of the period Continuation Coverage is to be provided pursuant to this Article 4. Notwithstanding any provision in this Article 4 to the contrary, Executive's entitlement to any benefit continuation pursuant to Section 601 et. seq. of the Employee Retirement Income Security Act of 1974, as amended, shall commence at the end of the period of, and shall not be reduced by the provision of, any applicable Continuation Coverage;

(iv) "Flight Benefits" shall mean flight benefits on each airline operated by the Company or any of its affiliates or any successor or successors thereto (the "CO system"), consisting of the highest priority space available flight passes for Executive and Executive's eligible family members (as such eligibility is in effect on May 18, 1999), a Universal Air Travel Plan (UATP) card (or, in the event of discontinuance of the UATP program, a similar charge card permitting the purchase of air travel through direct billing to the Company or any successor or successors thereto (a "Similar Card")) in Executive's name for charging on an annual basis up to the applicable Annual Travel Limit (as hereinafter defined) with respect to such year in value (valued identically to the calculation of imputed income resulting from such flight benefits described below) of flights (in any fare class) on the CO system for Executive, Executive's spouse, Executive's family and significant others as determined by Executive, a Platinum Elite OnePass Card (or similar highest category successor frequent flyer card) in Executive's name for use on the CO system, a membership for Executive and Executive's spouse in the Company's President's Club (or any successor program maintained in the CO system) and payment by the Company to Executive of an annual amount (not to exceed in any year the applicable Annual Gross Up Limit (as hereinafter defined) with respect to such year) sufficient to pay, on an after tax basis (i.e., after the payment by Executive of all taxes on such amount), the U.S. federal, state and local income taxes on imputed income resulting from such flights (such imputed income to be calculated during the term of such Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare, or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law) or resulting from any other flight benefits extended to Executive as a result of Executive's service as an executive of the Company;

(v) "Incentive Plan" shall mean Company's 1994 Incentive Equity Plan, as amended;

(vi) "Outplacement Services" shall mean (1)

outplacement services, at Company's cost and for a period of twelve months beginning on the date of Executive's termination of employment, to be rendered by an agency selected by Executive and approved by the Board of Directors or HR Committee (with such approval not to be unreasonably withheld), (2) appropriate and suitable office space at the Company's headquarters (although not on its executive office floor) or at a comparable location in downtown Houston for use by Executive, together with appropriate and suitable secretarial assistance, at Company's cost and for a period of three years beginning on the date of Executive's termination of employment, (3) a reserved parking place convenient to the office so provided and a reserved parking place at George Bush Intercontinental Airport in Houston, Texas consistent with past practice, at Company's cost and for as long as Executive retains a residence in Houston, Texas, and (4) other incidental perquisites (such as free or discount air travel, car rental, phone or similar service cards) currently enjoyed by Executive as a result of his position, to the extent then available for use by Executive, for 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 the Company for use by Executive;

(vii) "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 thirty-six 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 twenty-four months; and

(viii) "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 twelve.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Travel Limit" shall mean an amount (initially \$50,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Company's average fare per revenue passenger for its jet operations (excluding regional jets) with respect to the applicable year as reported in its Annual Report on Form 10-K (or, if not so reported, as determined by the Company's independent auditors) (the "Average Fare") for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$50,000 annually (adjusted in accordance with clauses (i) and (ii) above) of flights relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in such flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Travel Limit would be increased by 15% to \$57,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Travel Limit described in this paragraph.

As used for purposes of Flight Benefits, with respect to any year, the term "Annual Gross Up Limit" shall mean an amount

(initially \$10,000), which amount shall be adjusted (i) annually (beginning with the year 2000) by multiplying such amount by a fraction, the numerator of which shall be the Average Fare for such year, and the denominator of which shall be the Average Fare for the prior year, (ii) annually to add thereto any portion of such amount unused since the year 1999, and (iii) after adjustments described in clauses (i) and (ii) above, automatically upon any change in the valuation methodology for imputed income from flights (as compared with the valuation methodology for imputed income from flights used by the Company as of May 18, 1999), so as to preserve the benefit of \$10,000 annually (adjusted in accordance with clauses (i) and (ii) above) of tax gross up relative to the valuations resulting from the valuation methodology used by the Company as of May 18, 1999 (e.g., if a change in the valuation methodology results, on average, in flights being valued 15% higher than the valuation that would result using the valuation methodology used by the Company as of May 18, 1999, then the Annual Gross Up Limit would be increased by 15% to \$11,500, assuming no other adjustments pursuant to clauses (i) and (ii) above). In determining any adjustment pursuant to clause (iii) above, the Company shall be entitled to rely on a good faith calculation performed by its independent auditors based on a statistically significant random sampling of flight valuations compared with the applicable prior valuations of identical flights, which calculation (and the basis for any adjustments pursuant to clauses (i) or (ii) above) will be provided to Executive upon request. The Company will promptly notify Executive in writing of any adjustments to the Annual Gross Up Limit described in this paragraph.

As used for purposes of Flight Benefits, a year may consist of twelve consecutive months other than a calendar year, it being the Company's practice as of May 18, 1999 for purposes of Flight Benefits for a year to commence on December 1 and end on the following November 30 (for example, the twelve-month period from December 1, 1998 to November 30, 1999 is considered the year 1999 for purposes of Flight Benefits); provided that all calculations for purposes of clause (i) in the prior two paragraphs shall be with respect to fiscal years of the Company.

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

No tickets issued on the CO system in connection with the Flight Benefits may be purchased other than directly from the Company or its successor or successors (i.e., no travel agent or other fee or commission based distributor may be used), nor may any such tickets be sold or transferred by Executive or any other person, nor may any such tickets be used by any person other than the person in whose name the ticket is issued. Executive agrees that, after receipt of an invoice or other accounting statement therefor, he will promptly (and in any event within 45 days after receipt of such invoice or other accounting statement) reimburse the Company for all charges on his UATP card (or Similar Card) which are not for flights on the CO system and which are not otherwise reimbursable to Executive under the provisions of paragraph 3.4(i) hereof, or which are for tickets in excess of the applicable Annual Travel Limit. Executive agrees that the credit availability under Executive's UATP card (or Similar Card) may be suspended if Executive does not timely reimburse the Company as described in the foregoing sentence or if Executive exceeds the applicable Annual Travel Limit with respect to a year; provided, that, immediately upon the Company's receipt of Executive's reimbursement in full (or, in the case of exceeding the applicable Annual Travel Limit, beginning the next following year and after such reimbursement), the credit availability under Executive's UATP card (or Similar Card) will be restored.

The sole cost to Executive of flights on the CO system pursuant to use of Executive's Flight Benefits will be the imputed income with respect to flights on the CO system charged on Executive's UATP card (or Similar Card), calculated throughout the term of Executive's Flight Benefits at the lowest published fare (i.e., 21 day advance purchase coach fare, lowest negotiated consolidator net fare or other lowest available fare) for the applicable itinerary (or similar flights on or around the date of such flight), regardless of the actual fare class booked or flown, or as otherwise required by law, and reported to Executive as required by applicable law. With respect to any period for which

the Company is obligated to provide the tax gross up described above, Executive will provide to the Company, upon request, a calculation or other evidence of Executive's marginal tax rate sufficient to permit the Company to calculate accurately the amount to be paid to Executive.

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

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

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

If to Company to: Continental Airlines, Inc.
1600 Smith, Dept. HQSEO
Houston, Texas 77002
Attention: General Counsel

If to Executive to: Jeffery A. Smisek
5211 Briar Drive
Houston, Texas 77056

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

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

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

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

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

Agreement.

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

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

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

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

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 3.4(iii), (ii) any signed written agreement heretofore executed by Company and Executive with respect to awards under the Company's stock option or other incentive plans, or (iii) any signed written agreement hereafter executed by Company and Executive, this Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to employment of Executive by Company. Without limiting the scope of the preceding sentence, all prior understandings and agreements among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect (it being the specific intent of the parties hereto that this Agreement shall amend and restate in its entirety the Existing Agreement). 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 16th day of September, 1999.

CONTINENTAL AIRLINES, INC.

By: _____
Name: Gordon M. Bethune
Title: Chief Executive Officer

"EXECUTIVE"

Jeffery A. Smisek

Supplemental Agreement No. 16

to

Purchase Agreement No. 1783

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 757 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July 2, 1999, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Buyer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 1783 dated March 18, 1993 (the Agreement), as amended and supplemented, relating to Boeing Model 757-200 aircraft (the Aircraft); and

WHEREAS, Boeing and Buyer executed Letter Agreement 6-1162-WLJ-497 to Purchase Agreements No. 1782, 1783, 1784 and 1785 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] on December 23, 1993, and

WHEREAS, Boeing and Buyer executed Letter Agreement 6-1162-WLJ-497 with the intent of including such letter in a Supplemental Agreement, however the letter agreement was inadvertently not included in any Supplemental Agreement, and

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

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

WHEREAS, Boeing and Buyer have mutually agreed to amend the Agreement to incorporate the effect of these and certain other changes;

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

1. Table of Contents and Articles:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 16.

1.2 Remove and replace, in its entirety, Article 1, Subject Matter of Sale, with new Article 1 (attached hereto) to incorporate a correction to the title of paragraph 1.1.1.

1.3 Remove and replace, in its entirety, Article 2, Delivery, Title and Risk of Loss, with new Article 2 (attached hereto) to incorporate a revised delivery schedule for the two (2) Block C Aircraft.

1.4 Remove and replace, in its entirety, Article 3, Price of Aircraft, with new Article 3 (attached hereto) to incorporate revised Advance Payment Base Prices for the two (2) Block C Aircraft.

1.5 Remove and replace, in its entirety, the Delivery Schedule for Model 757-224 Aircraft, following Article 15, with a revised delivery schedule (attached hereto) to incorporate current

Aircraft delivery data.

2. Letter Agreements:

Add new Letter Agreement 6-1162-WLJ-497 [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (attached hereto).

Remove and replace, in its entirety, Letter Agreement No. 6-1162-GOC-132R1, "Special Matters" with new Letter Agreement No. 6-1162-GOC-132R2, "Special Matters" (attached hereto) to incorporate the effect of clarifying the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Provisions.

3. Credit of Additional Advance Payments.

Within Three (3) business days after execution of this Supplemental Agreement, Boeing shall transfer to Buyer's account, the sum of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] which sum represents credit then due with respect to the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] provisions and advance payments then due with respect to the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

The Agreement will be deemed to be supplemented to the extent herein provided 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/ J. A. McGarvey

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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Supplemental Agreement No. 16	July 2, 1999

ARTICLE 1. Subject Matter of Sale.

1.1 The Aircraft. Boeing will manufacture and deliver to Buyer and Buyer will purchase and accept delivery from Boeing of the following Boeing Model 757-224 aircraft (the Aircraft).

1.1.1 Block A, A-1, B, and C Aircraft. Twenty-seven (27) Block A and A-1 Aircraft (the Block A and A-1 Aircraft), Nine (9) Block B Aircraft (the Block B Aircraft), and Five (5) Block C Aircraft (the Block C Aircraft) manufactured in accordance with Boeing detail specification D924N104-3, dated as of even date herewith, as described in Exhibit A, and as modified from time to time in accordance with this Agreement (Detail Specification).

1.2 Additional Goods and Services. In connection with the sale of the Aircraft, Boeing will also provide to Buyer certain other things under this Agreement, including data, documents, training and services, all as described in this Agreement.

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

1.4 Defined Terms. For ease of use, certain terms are treated as defined terms in this Agreement. Such terms are identified with a capital letter and set forth and/or defined in Exhibit F.

ARTICLE 2. Delivery, Title and Risk of Loss.

2.1 Time of Delivery. The Aircraft will be delivered to Buyer by Boeing, and Buyer will accept delivery of the Aircraft, in accordance with the following schedule:

Month and Year of Delivery	Quantity of Aircraft
-------------------------------	----------------------

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

2.2 Notice of Target Delivery Date. Boeing will give Buyer notice of the Target Delivery Date of the Aircraft approximately 30 days prior to the scheduled month of delivery.

2.3 Notice of Delivery Date. Boeing will give Buyer at least 7 days' notice of the delivery date of the Aircraft. If an Aircraft delivery is delayed beyond such delivery date due to the responsibility of Buyer, Buyer will reimburse Boeing for all costs incurred by Boeing as a result of such delay, including amounts for storage, insurance, Taxes, preservation or protection of the Aircraft and interest on payments due.

2.4 Place of Delivery. The Aircraft will be delivered at a facility selected by Boeing in the State of Washington, unless mutually agreed otherwise.

2.5 Title and Risk of Loss. Title to and risk of loss of an Aircraft will pass from Boeing to Buyer upon delivery of such Aircraft, but not prior thereto.

2.6 Documents of Title. Upon delivery of and payment for each Aircraft, Boeing shall deliver to Buyer a bill of sale duly conveying to Buyer good title to such Aircraft free and clear of all liens, claims, charges and encumbrances of every kind whatsoever, and such other appropriate documents of title as Buyer may reasonably request.

ARTICLE 3. Price of Aircraft.

3.1 Definitions.

3.1.1 Special Features are the features listed in Exhibit A which have been selected by Buyer.

3.1.2 Base Airframe Price is the Aircraft Basic Price excluding the price of Special Features and Engines.

3.1.3 Engine Price is the price established by the Engine manufacturer for the Engines installed on the Aircraft including all accessories, equipment and parts set forth in Exhibit D.

3.1.4 Aircraft Basic Price is comprised of the Base Airframe Price, the Engine Price and the price of the Special Features.

3.1.5 Economic Price Adjustment is the adjustment to the Aircraft Basic Price (Base Airframe, Engine and Special Features) as calculated pursuant to Exhibit D.

3.1.6 Aircraft Price is the total amount Buyer is to pay for the Aircraft at the time of delivery.

3.1.7 Price First Published is the first price published by Boeing for the same model of aircraft to be delivered in the same general time period as the affected Aircraft and is used to establish the Base Airframe Price when the Base Airframe Price was not established at the time of execution of this Agreement.

3.2 Aircraft Basic Price.

3.2.1 Block A Aircraft. The Aircraft Basic Price of the Block A Aircraft, expressed in July 1992 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL OMITTED
Special Features	AND FILED SEPARATELY WITH THE
Engine Price	SECURITIES AND EXCHANGE
	COMMISSION PURSUANT TO A
Block A Aircraft	REQUEST FOR CONFIDENTIAL
Basic Price	TREATMENT]

3.2.2 Block A-1 and Block B Aircraft. The Aircraft Basic Price of the Block A-1 and Block B Aircraft with delivery, expressed in July 1992 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL OMITTED
Special Features	AND FILED SEPARATELY WITH THE
Engine Price	SECURITIES AND EXCHANGE
	COMMISSION PURSUANT TO A
Block A-1/B Aircraft	REQUEST FOR CONFIDENTIAL
Basic Price	TREATMENT]

The special features value above for the Block A-1 and Block B Aircraft incorporates the special features reprice activity noted in Exhibit A-1 which includes Exhibit A, Change Orders 1,2, and 3 plus accepted Master Changes as of June 1, 1996.

3.2.2 Block C Aircraft. The Aircraft Basic Price of the Block C Aircraft with delivery, expressed in July 1997 dollars, is set forth below:

Base Airframe Price:	[CONFIDENTIAL MATERIAL OMITTED
Special Features	AND FILED SEPARATELY WITH THE
Engine Price	SECURITIES AND EXCHANGE
	COMMISSION PURSUANT TO A
Block C Aircraft	REQUEST FOR CONFIDENTIAL
Basic Price	TREATMENT]

The special features value above for the Block C Aircraft incorporates the special features reprice activity noted in Exhibit A-1 which includes Exhibit A, Change Orders 1,2, and 3 plus accepted Master Changes as of June 1, 1996.

3.3 Aircraft Price.

3.3.1 Block A Aircraft, Block A-1 Aircraft and Block B Aircraft. The Aircraft Price of the Block A Aircraft, Block A-1 Aircraft and Block B Aircraft will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1.1 the Block A Aircraft Basic Price, [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] plus

3.3.1.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Airframe and Engine - Block A, Block A-1 and Block B Aircraft) plus

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

3.3.1 Block C Aircraft. The Aircraft Price of the Block C Aircraft will be established at the time of delivery of such Aircraft to Buyer and will be the sum of:

3.3.1.1 the Block C Aircraft Basic Price, which is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] plus

3.3.1.2 the Economic Price Adjustments for the Aircraft Basic Price, as calculated pursuant to the formulas set forth in Exhibit D (Price Adjustments Due to Economic Fluctuations - Airframe and Engine - Block C Aircraft) plus

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

3.4 Advance Payment Base Price.

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

Month and Year of Scheduled Delivery	Advance Payment Base Price per Aircraft
---	--

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

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

Continental Airlines, Inc.
Delivery Schedule for Model 757-224 Aircraft

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

Continental Airlines, Inc.
2929 Allen Parkway
Houston, Texas 77019

Subject: Letter Agreement No. 6-1161-WLJ-497 to Purchase Agreement No. 1782, 1783, 1784 and 1785 -
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Gentlemen:

Reference is made to the following Purchase Agreements, each dated as of March 18, 1993, as amended and supplemented (the Purchase Agreements) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer): Purchase Agreement No. 1782 relating to Model 737-524 Aircraft (Purchase Agreement 1782); Purchase Agreement No. 1783 relating to Model 757-224 Aircraft (Purchase Agreement 1783); Purchase Agreement No. 1784 relating to Model 767-324ER Aircraft (Purchase Agreement 1784); and Purchase Agreement No. 1785 relating to Model 777-224 Aircraft (Purchase Agreement 1785), collectively referred to as the Purchase Agreements.

Specific reference is made to a Letter Agreement in each of the Purchase Agreements, entitled Special Matters, each of which contains provisions relating to Buyer's [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

This letter, when accepted by Buyer, will become part of the Purchase Agreements and will evidence our further agreement with respect to the matters set forth below.

All terms used herein and in the Purchase Agreements, and not defined herein, shall have the same meaning as in the Purchase Agreements.

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

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

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

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

5. Payment Schedule Revision for Other Changes to Purchase Agreement In addition to the provisions of paragraph (3) and (4) above, the Payment Schedule shall also be revised to incorporate the effects of the following changes to the Purchase Agreements (Other Changes):

5.1 Option Aircraft. The Payment Schedule shall be revised to incorporate the effects of adding as firm aircraft those Option Aircraft which Buyer has exercised its right to purchase (New Firm Aircraft) pursuant to the applicable Option Aircraft Letter Agreement. Each Option Aircraft Supplemental Agreement adding New Firm Aircraft shall include a Revised Payment Schedule, which shall be effective as of the effective date of the Option Aircraft Supplemental Agreement (Effective Date).

5.2 Delivery Schedule Revisions. If Boeing and Buyer mutually agree to change the delivery schedule of one or more Firm Aircraft (Rescheduled Aircraft) in a Purchase Agreement, such change will be in the form of a supplemental agreement to the Purchase Agreement. The supplemental

agreement shall include a Revised Payment Schedule effective as of the date such supplemental agreement is effective (Effective Date). The Advance Payment Base Price of Rescheduled Aircraft shall be calculated using Boeing's then-current escalation factors.

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

5.4 Payment Adjustment as of the Effective Date

5.4.1 Advance Payments. Buyer shall pay to Boeing or Boeing shall refund to Buyer within three (3) business days after the Effective Date, the difference, if any, between Advance Payments paid and Advance Payments due as of the Effective Date.

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

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

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

7. Payment Instructions. Buyer's payments to Boeing and Boeing's refunds to Buyer shall be made to the following bank accounts until written notice is furnished by one party to the other advising of a change in its account.

Buyer's account: Chase Manhattan Bank, N.A.
New York, New York
ABA 021000021
Account Number:[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing's account: Chase Manhattan Bank, N.A.
New York, New York
ABA 021000021
Account Number:[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

8. Confidentiality. This Letter Agreement will be treated by the parties as privileged and confidential under the terms of the applicable Disclosure of Confidential Information Letter Agreement in each of the Purchase Agreements.

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

Very truly yours,

THE BOEING COMPANY

By /s/ Richard G. Plant
Its Attorney-in-Fact

ACCEPTED AND AGREED this
Date: December 23, 1993

CONTINENTAL AIRLINES, INC.

By /s/ Gerald Laderman
Its Vice President - Aircraft Programs

Attachment A to 6-1162-WLJ-497
Effective Date: 12/23/93

CONTINENTAL AIRLINES, INC.

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

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

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

July 2, 1999
6-1162-GOC-132R2

CONTINENTAL AIRLINES, INC.
1600 Smith
Houston, Texas 77002

Subject: Letter Agreement No. 6-1162-GOC-132R2 to Purchase
Agreement No. 1783 - Special Matters

Ladies and Gentlemen:

This Letter Agreement amends and supplements Purchase Agreement No. 1783 dated as of March 18, 1993 (the Purchase Agreement) between The Boeing Company (Boeing) and Continental Airlines, Inc. (Buyer) relating to Model 757-224 aircraft (the Aircraft). This Letter Agreement supersedes and replaces in its entirety Letter Agreement 6-1162-GOC-132R1, dated December 17, 1998.

All terms used herein and in the Purchase Agreement, and not defined herein, will have the same meaning as in the Purchase Agreement.

1. Credit Memoranda.

In consideration of Buyer's purchase of Model 757-224 Aircraft, Boeing shall issue at the time of delivery of each Aircraft and Option Aircraft, a credit memorandum in an amount equal to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The 757-224 Credit Memorandum Amount is subject to the same airframe escalation as is used to calculate the Aircraft price at the time of delivery.

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

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

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

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

4. Option Aircraft.

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

5. Increased Gross Weight.

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

6. Assignment of Credits.

Buyer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

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

8. Confidential Treatment.

Boeing and Buyer understand that certain information contained in this Letter Agreement, including any attachments hereto, are considered by both parties to be confidential. Notwithstanding the provisions of Letter Agreement 6-1162-WLJ-367R4, Boeing and Buyer agree that each party will treat this Letter Agreement and the information contained herein as confidential and will not, without the other party's prior written consent, disclose this Letter Agreement or any information contained herein to any other person or entity except as may be required by applicable law or governmental regulations.

Very truly yours,

THE BOEING COMPANY

By _____/s/ J. A. McGarvey_____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 2, 1999

CONTINENTAL AIRLINES, INC.

By _____/s/ Brian Davis _____

Its _____Vice President_____

Continental Airlines, Inc.
Purchase Agreement 1783 - Model 757-224 aircraft

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

Supplemental Agreement No. 12

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 2, 1999, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Buyer);

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

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

WHEREAS, Boeing and Buyer have mutually agreed to amend the Agreement to incorporate the effect of these and certain other changes;

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

1. Table of Contents and Articles:

1.1 Remove and replace, in its entirety, the "Table of Contents", with the Table of Contents attached hereto, to reflect the changes made by this Supplemental Agreement No. 12.

1.2 Remove and replace, in its entirety, page T-2 of Table 1 entitled "Aircraft Deliveries and Descriptions" that relates to Model 737-700 Aircraft with new page T-2 attached hereto for the Model 737-700 Aircraft reflecting the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.3 Remove and replace, in its entirety, page T-3 of Table 1 entitled "Aircraft Deliveries and Descriptions" that relates to Model 737-800 Aircraft with new page T-3 attached hereto for the Model 737-800 Aircraft reflecting the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ D. M. Hurt

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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Supplemental Agreement No. 12.	July 2,1999

Table 1 to

Purchase Agreement 1951

Aircraft Deliveries and Descriptions

Model 737-700 Aircraft

CFM56-7B24 Engines

Detail Specification No. D6-38808-42 dated January 6, 1997

Exhibit A-1

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

Table 1 to
Purchase Agreement 1951
Aircraft Deliveries and Descriptions
Model 737-800 Aircraft
CFM56-7B26 Engines
Detail Specification No. D6-38808-44 dated
Exhibit A-2

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

Supplemental Agreement No. 1

to

Purchase Agreement No. 2211

between

The Boeing Company

and

Continental Airlines, Inc.

Relating to Boeing Model 767-200ER Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July 2, 1999, by and between THE BOEING COMPANY, a Delaware corporation with its principal office in Seattle, Washington, (Boeing) and CONTINENTAL AIRLINES, INC., a Delaware corporation with its principal office in Houston, Texas (Customer);

WHEREAS, the parties hereto entered into Purchase Agreement No. 2211 dated November 16, 1998, (the Purchase Agreement) relating to Boeing Model 767-200ER aircraft, (Aircraft); and

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

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

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

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

WHEREAS, Boeing and Customer wish to update the Agreement to reflect the Installation of Cabin Systems Equipment; and

WHEREAS, Boeing and Customer have mutually agreed to amend the Purchase Agreement to incorporate the effect of these and certain other changes;

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

1. Table of Contents:

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. 1.

2. Letter Agreements:

Remove and replace, in its entirety, Letter Agreement 2211-01, "Option Aircraft" with new Letter Agreement 2211-01R1, "Option Aircraft" attached hereto, to reflect the revised delivery schedule for the Option Aircraft.

Remove and replace, in its entirety, Letter Agreement 6-1162-JMG-0092, "Special Matters" with new Letter Agreement 6-1162-JMG-0092R1, "Special Matters" attached hereto, to reflect the [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Add Letter Agreement 6-1162-JMG-184, "Installation of Cabin Systems Equipment" to incorporate the agreement regarding Cabin Systems Equipment.

3. Payment of Option Deposit:

Upon execution of this Supplemental Agreement, Customer shall transfer to Boeing's account at Chase Manhattan Bank, New York, N.Y., the sum of [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], which sum represents the additional Option Aircraft deposit.

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

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

THE BOEING COMPANY

CONTINENTAL AIRLINES, INC.

By: /s/ J. A. McGarvey

By: /s/ Brian Davis

Its: Attorney-In-Fact

Its: Vice President

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SUPPLEMENTAL AGREEMENTS

Dated as of:

Supplemental Agreement No. 1

July 2, 1999

July 2, 1999
2211-01R1

Continental Airlines, Inc.
1600 Smith
Houston, TX 77002

Subject: Option Aircraft

Reference: Purchase Agreement 2211 (the Purchase Agreement)
between The Boeing Company (Boeing) and Continental
Airlines, Inc. (Customer) relating to Model 767-224ER
aircraft (the Aircraft)

This Letter Agreement amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement. This Letter Agreement supersedes and replaces in its entirety Letter Agreement 2211-01.

Boeing agrees to manufacture and sell to Customer additional Model 767-224ER aircraft as Option Aircraft. The delivery months, number of aircraft, Advance Payment Base Price per aircraft and advance payment schedule are listed in the Attachment to this Letter Agreement (the Attachment).

1. Aircraft Description and Changes

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

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

- (i) Changes applicable to the basic Model 767 aircraft which are developed by Boeing between the date of the Detail Specification and the signing of the definitive agreement to purchase the Option Aircraft;
- (ii) Changes required to obtain required regulatory certificates; and
- (iii) Changes mutually agreed upon.

2. Price

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

2.2 Price Adjustments.

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

2.2.2 Escalation Adjustments. The Airframe Price and the Optional Features Prices for Option Aircraft delivering before January, 2005, will be escalated on the same basis as the Aircraft, and will be adjusted to Boeing's then-current escalation provisions as of the date of execution of the definitive agreement for the Option Aircraft.

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

2.2.3 Base Price Adjustments. The Airframe Price and the Engine Price of the Option Aircraft delivering before January, 2005, will be adjusted to Boeing's and the engine manufacturer's then current prices as of the date of execution of the definitive agreement for the Option Aircraft.

2.2.4 Prices for Long Lead Time Aircraft. Boeing and the engine manufacturer have not established prices and escalation provisions for Model 767-224ER aircraft and engines for delivery in the year 2005 and after. When prices and the pricing bases are established for the Model 767-224ER aircraft delivering in the year 2005 and after, the information listed in the Attachment will be appropriately amended.

3. Payment.

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

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

4. Option Exercise.

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

5. Contract Terms.

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

Very truly yours,

THE BOEING COMPANY

By /s/ J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 2, 1999

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment

Attachment to

Letter Agreement No. 2211-01R1

Option Aircraft Delivery, Description, Price and Advance Payments

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

July 2 1999
6-1162-JMG-0092R1

Continental Airlines, Inc.
1600 Smith
Houston, Texas 77002

Subject: Special Matters

Reference: Purchase Agreement No. 2211 (the Purchase Agreement)
between The Boeing Company (Boeing) and Continental
Airlines, Inc. (Customer) relating to Model 767-224ER
aircraft (the Aircraft)

Ladies and Gentlemen:

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

1. Credit Memoranda.

In consideration of Customer's purchase of Model 767-224ER Aircraft, Boeing shall issue at the time of delivery of each Aircraft and Option Aircraft, a credit memorandum in an amount equal to [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The credit memorandum is subject to the same airframe escalation as is used to calculate the Aircraft Price at the time of delivery. The credit memorandum may be used by Customer for the purchase of Boeing goods and services or applied to the balance due at the time of Aircraft delivery.

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

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

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

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

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

6. Option Aircraft.

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

7. Aircraft Invoices.

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

8. Assignment of Credits.

Customer may not assign the credit memoranda described in this Letter Agreement without Boeing's prior written consent [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

9. Confidential Treatment.

Boeing and Customer understand that certain information

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

Very truly yours,

THE BOEING COMPANY

By J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 2, 1999

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

July 2, 1999
6-1162-JMG-184

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

Subject: Installation of Cabin Systems Equipment

Reference: Purchase Agreement No. 2211 (the Purchase Agreement)
between The Boeing Company (Boeing) and Continental
Airlines, Inc. (Customer) relating to Model 767-200
aircraft (the Aircraft)

Ladies and Gentlemen:

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

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

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

1. Responsibilities.

1.1 Customer will:

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

1.1.2 Select the IFE/CCS suppliers (Suppliers) from among those suppliers identified in the Option/s/ listed in Attachment A to this Letter Agreement, on or before July 7, 1999; or as otherwise formally offered by Boeing.

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

1.1.4 Select Supplier part numbers;

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

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

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

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

1.1.9 Authorize Boeing to obtain production IFE/CCS spares for test and or rejection replacement as follows:
[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] overage for in-seat LCD monitors, in-seat cables, handsets, cord reels, and remote jacks; [CONFIDENTIAL

MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] coverage for seat boxes; and, one each of the head-end equipment. Unused parts will be returned to the Customer with the aircraft delivery and any parts returned to the supplier for repair will be returned to the Customer, at no further cost, after aircraft delivery.

1.2 Boeing will:

1.2.1 Perform the Project Manager functions stated in Attachment B;

1.2.2 Provide Aircraft interface requirements to Suppliers;

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

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

1.2.5 Coordinate the resolution of technical issues with Suppliers;

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

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

2. Software.

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

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

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

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

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

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

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

3. Changes.

3.1 After Boeing and Supplier have entered into a contract for the purchase of the IFE/CCS, changes to such contract may only be made by Boeing. Any Customer request for changes to the IFE/CCS specification after the Boeing/Supplier contract has been signed must be made in writing directly to Boeing. Boeing shall respond to such request by Customer in a timely manner. If such change is

technically feasible and Boeing has the resources and time to incorporate such change, then Boeing shall negotiate with the Supplier to incorporate such change into the contract for the IFE/CCS. Any Supplier price increase resulting from such a change will be negotiated between Customer and Supplier.

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

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

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

4. Supplier Defaults.

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

5. Exhibits B and C to the AGTA.

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

6. Boeing's Remedies.

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

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

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

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

7. Advance Payments.

7.1 Estimated Price for the IFE/CCS. An estimated price for the IFE/CCS purchased by Boeing will be included in the Aircraft Advance Payment Base Price to establish the advance payments for each Aircraft. The estimated price for the Boeing purchased IFE/CCS installed on each Aircraft by Option/s/ is [CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] U.S. dollars expressed in 1997 dollars.

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

8. Customer's Indemnification of Boeing.

Customer will indemnify and hold harmless Boeing from and against all claims and liabilities, including costs and expenses (including attorneys' fees) incident thereto or incident to successfully establishing the right to indemnification, for injury to or death of any person or persons, including employees of

Customer but not employees of Boeing, or for loss of or damage to any property, including Aircraft, arising out of or in any way connected with any nonconformance or defect in any IFE/CCS, and whether or not arising in tort or occasioned in whole or in part by the negligence of Boeing. This indemnity will not apply with respect to any nonconformance or defect caused solely by Boeing's installation of the IFE/CCS.

9. Title and Risk of Loss.

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

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

Very truly yours,

THE BOEING COMPANY

By /s/ J. A. McGarvey

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: July 2, 1999

CONTINENTAL AIRLINES, INC.

By /s/ Brian Davis

Its Vice President

Attachment A
Cabin Systems Equipment

The following Option/s/ describe/s/ the items of equipment that under the terms and conditions of this Letter Agreement are considered to be IFE/CCS. Final configuration will be based on Customer acceptance of any or all options listed below.

Option Numbers and Titles

Option Numbers and Titles to be added based upon identification of offerable options and completion of Cabin Systems In-Flight Entertainment configuration discussions with Continental Airlines and Boeing.

Attachment B
Project Manager

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

1. Project Management

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

- A. Managing the development of all program schedules;
- B. Evaluating and approving Supplier's program management and developmental plans;
- C. Defining program metrics and status requirements;
- D. Scheduling and conducting program status reviews;
- E. Scheduling and conducting design and schedule reviews with Customer and Suppliers;
- F. Monitoring compliance with schedules;
- G. Evaluating and approving any recovery plans or plan revisions which may be required of either Suppliers or Customer;
- H. Leading the development of a joint IFE/CCS project management plan (the Program Plan) and;
- I. Managing the joint development of the System Specification

2. System Integration

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

- A. As required, assist Suppliers in defining their system specifications for the IFE/CCS, approve such specifications and develop an overall system functional specification;
- B. Coordinate Boeing, Customer and Supplier teams to ensure sufficient Supplier and Supplier sub system testing and an overall cabin system acceptance test are included in the Program Plan; and
- C. Organize and conduct technical coordination meetings with Customer and Suppliers to review responsibilities, functionality, Aircraft installation requirements and overall program schedule, direction and progress.

3. Seat Integration

- A. Boeing will coordinate the interface requirements between seat suppliers and Suppliers. Interface requirements are defined in Boeing Document Nos. D6-36230, "Passenger Seat Design and Installation"; D6-36238, "Passenger Seat Structural Design and Interface Criteria"; D222W232, "Seat Wiring and Control Requirements"; and D222W013-4, "Seat Assembly Functional Test Plan".
- B. The Suppliers will be required to coordinate integration testing and provide seat assembly functional test procedures for seat electronic parts to seat suppliers and Boeing, as determined by Boeing.

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

Attachment C
CAL 767-200
Critical Impact Events

Events and dates to be added based upon completion of Cabin Systems In-Flight Entertainment configuration discussions between Continental Airlines and Boeing.

The Contingency Plan is the alternate course of action which will be implemented if the critical decision date is not met or other course of action is not agreed to by Boeing and Buyer. The critical impact events listed below are milestones which must be met by IFE and BFE Seat Suppliers to achieve the in-sequence installation of the IFE. The Required Due Dates in such tables are the dates on which Boeing begins to incur disruption costs. The Critical Decision Dates are the dates after which the critical impact event cannot be accomplished to maintain the delivery schedule and/or full system testing, certification or installation. A meeting to discuss a recovery plan cost impact and/or an alternate course of action will be held within one week of knowledge of delinquency or impending delinquency.

Event	Required Due Date	Critical Decision Date	Contingency Plan
Cable routing data from Seat Suppliers to Boeing and IFE Supplier	[CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		IFE/Passenger Service System inoperative at Delivery
Seat abuse load test plan approval			Assess out-of-sequence charges
Abuse load test hardware on-dock at seat supplier			Assess out-of -sequence charges
Seat abuse load test conduct			Deliver airplane without seats installed (zero passenger) or assess out-of sequence charges

Attachment C (continued)
CAL 767-200
Critical Impact Events

IFE production hardware on-dock at seat supplier

Seat abuse load test report approval

Seats on-dock (complete and in-seat IFE installed hardware functionality tested) at Boeing

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

IFE inoperative at Delivery

IFE locked out at Delivery

Deliver airplane without seats (zero passenger) or assess additional out-of-sequence charges

9-MOS
DEC-31-1999
SEP-30-1999
1,145
0
606
0
225
2,520
4,181
981
8,296
2,694
0
0
1
1,560
8,296
6,537
0
5,909
0
168
551
214
337
0
0
6
331
4.73
4.44